

DEC. 25
1937

BUSINESS WEEK

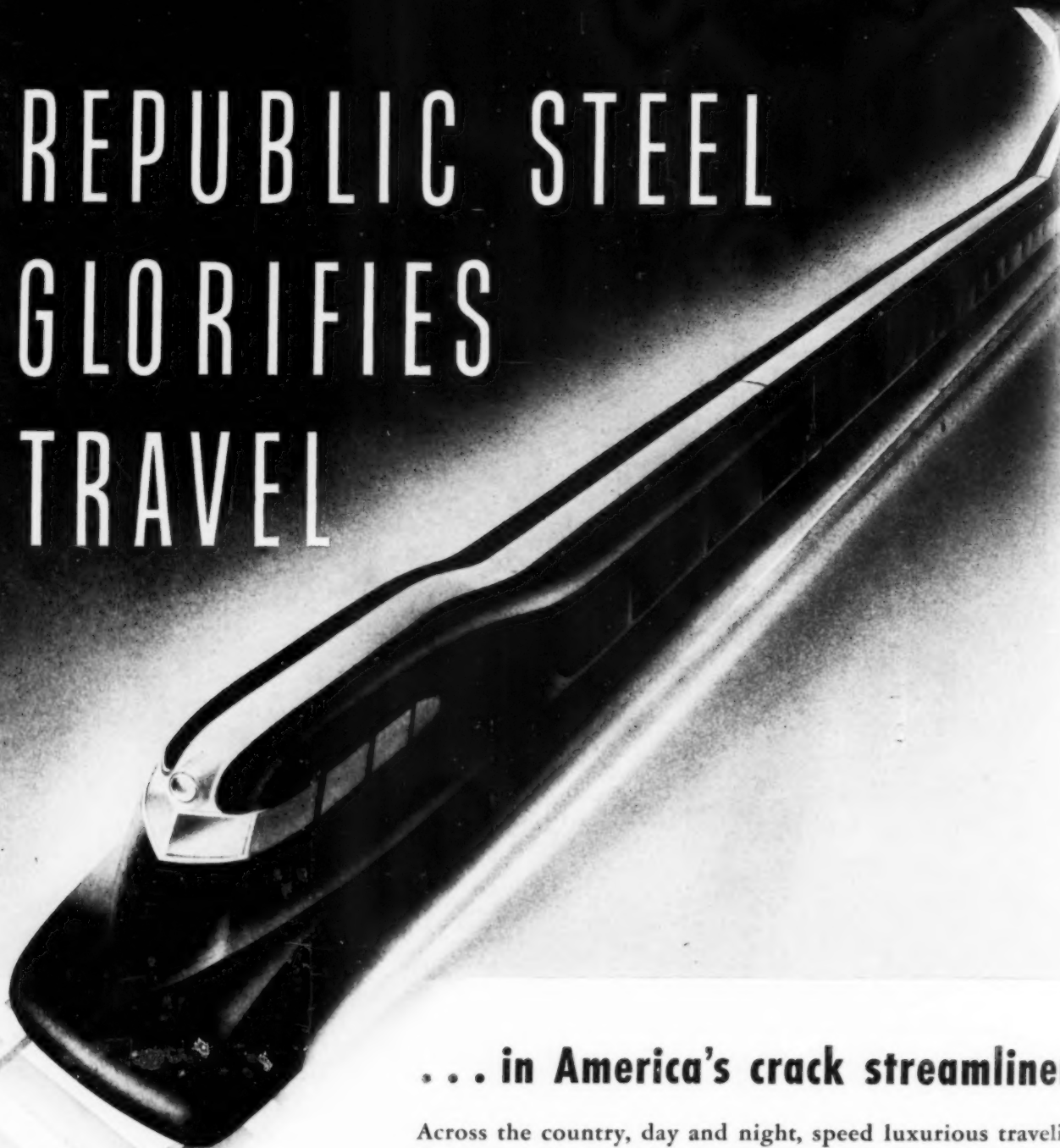


RATE SIGNALS SET?—With President Roosevelt implying approval of railroad rate boosts, the Interstate Commerce Commission has moved final hearings up to Jan. 17. On the decision, say railroad men, depends their ability to turn loose millions in recovery-rejuvenating expenditures.

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REPUBLIC STEEL GLORIFIES TRAVEL



... in America's crack streamliners

Across the country, day and night, speed luxurious traveling hotels — streamlined trains made necessary by competition in transportation — made possible by today's better steels. In many streamliners, Republic ENDURO Stainless Steel brightens kitchens and bars. In many, Republic alloy and carbon steels reduce weight, increase safety and lengthen life of working and structural parts.

Wherever you find rapid development, you will find Republic steels ... on the world's tallest buildings ... in the world's deepest oil wells ... in the largest American-built ocean liners ... in the longest gasoline pipe lines ... in the plane which holds the coast-to-coast record ... in championship racing cars and record-breaking motor boats ... in the world's longest single suspension bridge span ... in industry of every kind.

Your requirements in steel sent to Republic metallurgists will bring a prompt answer that may mean a better product, lower costs, increased profits.



Republic Steel
Corporation

GENERAL OFFICES ... CLEVELAND, OHIO

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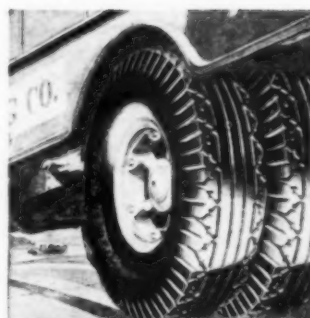
NEW BUSINESS

As the New Year's Day comes nearer and nearer, and as more and more corporations release their 1938 plans, it becomes clear that research, pure and applied, will play an ever larger role. Westinghouse Electric & Mfg. Co. will sponsor five pure research fellowships in 1938 for men having the equivalent of a doctor's degree in physics, and five more in 1939. Roughly, their job will be to pry further into the secrets of matter, using where necessary Westinghouse's new giant "atom-smasher."

Leading aluminum cylinder head manufacturers, including Aluminum Co. of America, Bohn Aluminum & Brass Corp., Aluminum Industries, Inc., Advance Aluminum Castings Corp., National Bronze & Aluminum Foundry Co., and Permold Co., will carry on cooperatively a big double-barrelled program of laboratory work in 1938. An engineering section will seek more ways to adapt the thermal qualities of aluminum to internal combustion engine design; a metallurgical section will, among other things, seek answers to problems arising out of chemical and electrolytical reactions of cooling water in various parts of the country.

United States Steel Corp., which spent \$8,400,000 on laboratory work during 1937, will continue to push back the frontiers of iron and steel technology in its 174 laboratories. They are now housed in 64 laboratory buildings; if brought together under one roof, the resultant building would have to measure 50 x 200 ft. x 40 stories high. The central laboratory in Kearny, N. J., which coordinates the research and technical activities of Big Steel's far-flung subsidiaries, is now completing its tenth year of intensive activity. Achievements range from solving the peculiar behavior of iron under heat to the development of "Austempering," a process which gives extraordinary ductility and high hardness to ordinary carbon steel (BW—Mar 13 '37, p. 32).

Not quite two years ago, a New York retailer doing business under the name of "Cork & Bottle" started a Wine-of-the-Week Club similar in principle to the Book-of-the-Month idea (BW—Feb 22 '36, p. 8). It must have clicked, because Verdier Cellars, liquor unit of The City of Paris department store,



Photograph Courtesy of
The Warner & Swasey Co.

It's the same in both..
**THE PURCHASE PRICE ALONE
MEANS NOTHING...**



...it's the **COST OF THE
WORK IT DOES** *that counts*

THE only sound way to figure tire costs is exactly the same way you figure the cost of any productive item you buy for your business.

The cost of a turret lathe, for instance, is not the purchase price, but the cost per unit turned out... price divided by work done.

In tires, it's price divided by mileage and payload carried. You can never know what a tire has really cost you until you know how far it has gone and how many tons or packages it has carried.

That's why General Truck Tires have always been built stronger... to deliver greater mileage and haul more payload. It costs more to build a General Tire because of the way it is built. Thousands of truck operators know it costs less to use Generals because of the way they perform.

Your local General Tire dealer is ready to offer you the benefit of his factory-training and practical truck tire knowledge. He may be able to reduce your tire costs materially.

THE GENERAL TIRE & RUBBER CO.
AKRON, OHIO

*In Canada—The General Tire and Rubber
Co. of Canada, Limited, Toronto, Ontario*



STRONGER—All plies are full plies anchored at the bead—no floating "breaker strips"—every inch and every ounce is there for just one purpose—to produce more miles and a lower cost for you.



COOLER—They flex uniformly without that heat-producing "hinging action" of ordinary breaker-strip tires. Heat kills the life of cords and cuts down the miles in a tire. Generals are cool—that's why they run more miles at a lower cost for you.



"COMPACT RUBBER"
TREADS—All tires stretch due to fatigue in the fabric, but Generals, having no idle, half-way plies, stretch least of all. The tread is kept compact and compressed against the road—that's why it produces more miles and reduces your cost.

GENERAL TRUCK TIRES

BUSINESS WEEK (with which is combined The Magazine of Business) December 25, 1937, No. 434. Published weekly by McGraw-Hill Publishing Company, Inc. Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 350 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Publisher; R. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager, \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Entered as second class matter December 4, 1936, at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.



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Covered

LEARN an insurance lesson from the tortoise. He's always covered, carrying his security with him wherever he goes.

Any one of Standard Accident's 8300 representatives will capably analyze your business and domestic insurance needs . . . will counsel you in rounding out your complete protection.

Standard of Detroit is nation-wide in scope. Wherever trouble may befall you or your firm, there's always an alert Standard claim man within easy reach, ready to adjust your difficulties.

With Standard's sound financial foundation and 53 years of specialized experience in underwriting behind you, you may well feel as invulnerable as the tortoise. All forms of casualty insurance and bonding.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

San Francisco, is setting up a similar club. For 13 weeks running, "subscribers" at \$17.50 per will receive different types of wine together with complete histories and directions for corkage, employment, and enjoyment.

On Jan. 7, Dr. Frank J. Tone, president of Carborundum Co., will receive the Perkin Medal of the Society of Chemical Industry at its joint meeting with American Chemical Society. Each year the medal is awarded for the most valuable work in applied chemistry. Dr. Tone will receive the honor for his work in abrasives and refractories.

On Jan. 26, Gano Dunn, president of J. G. White Engineering Corp., will receive the Thomas A. Edison medal of the American Institute of Electrical Engineers at its annual winter convention. Mr. Dunn, who is president also of Cooper Union, will receive the "highest honor" in electrical engineering "for distinguished contributions in extending the science and art of electrical engineering, in the development of great engineering works, and for inspiring leadership in the profession."

According to United Air Lines, approximately 1,320,000 passengers were carried by the nation's domestic airlines during 1937, an increase of 16% over 1936's total of 1,140,000. Major airlines look forward to the four-engined transport era with assurance from Douglas Aircraft Co. that the 40-passenger DC-4 will be test-flown in February or March of 1938. Meanwhile, William Barclay Harding has made a 74-page financial and statistical study, "The Aviation Industry," for Chas. D. Barney & Co., 14 Wall St., New York. The viewpoint is specifically that of the owner or prospective purchaser of aviation securities.

Last spring, Taylor Aircraft Co. placed an order for 1,050 engines to power its 1937 litter of Cub "flivverplanes." This week it was learned that Piper Aircraft Corp., Lock Haven, Pa., successor to Taylor Aircraft, has signed an order for 1,500 Continental aircraft engines to meet early 1938 requirements. 1938 production program calls for 3,000 Cubs. In the spring, the company hopes to bring out a Cub "coupé," an inclosed side-by-side two-passenger job for sport and business.

Through air-rail service on one ticket to Sun Valley, Ida., from points east and west is being started this week by Union Pacific Railroad and United Air Lines in cooperation with other common carriers. Under a typical schedule, passengers leave Chicago at 9:20 p.m. by sleeper plane, reach Pocatello at 8:05 a.m., transfer to train, ready for the ski trails shortly after noon.

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WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Signs of recovery are seen by non-political government economists in the reviving demand for consumer goods. They hazard the prediction that by October, 1938, over-all production activity will have climbed back to the 1937 peak. They point out that, although the recession is the sharpest in history, it has been easier to take than a long, slow strangling of business. Unemployment doesn't get a chance to take hold, debt doesn't have time to add its burden.

Blaming Green

President Roosevelt is planning a finish fight against the American Federation of Labor on wage-hour legislation. Administration forces believe that the Federation, specifically William Green, who dispatched telegrams asking for recommitment the day before the House voted, was responsible for defeat of the bill. The Administration figures that many Congressmen opposed to the bill would have been afraid to vote against it if it had not been for Green's action. If the Federation can be whipped, the opposition of southern industry and all other factions combined will not be able to stop the bill again, in the opinion of Administration leaders. They are working toward final action in March as their goal.

Time for Strategy

The Administration still has the technical advantage of having put a wage-hour bill through the Senate. The bill will retain that status until the present Congress dies in January, 1939. Quite apart from the Administration's present plans to push the fight without a let-up, it has quite some time at its disposal to concoct a formula that congressmen would rather vote for than against. It doesn't have to produce something which a majority actually favors. Just something so constructed that a vote against it would brand the dissenter as the friend of the oppressors of labor.

Claims and Performance

The Treasury has a shrewd idea that industry, by and large, is not spending for plant expansion and equipment anywhere near the amount that is available for this purpose from depreciation allowances. This will be the Treasury's defense against increasing pressure, as the tax bill moves forward, for liberal exemptions from the undistributed profits tax for tooling up

plants. Surveys such as that made by Brookings Institution purporting to show that the tax has retarded capital expenditures do not impress Treasury officials who insist they are based on information furnished by people who don't like the tax.

Tactics on the Earnings Tax

Roosevelt is very optimistic about saving the principle of taxing undistributed corporation earnings. New Dealers are working feverishly on Congress to build up sentiment for the idea that it is bad economics in the long run to permit the piling up of huge surpluses. While no definite plan has been approved, the White House hopes to make the law very drastic with respect to large corporations, very moderate on small corporations. This is not only in line with the New Deal antagonism to bigness, but a policy of confining the blow to just the biggest corporations would make victory much more likely.

Another Liberty League

New Dealers predict that the recent coalition of conservative Democratic and Republican Senators, seeking budget balancing and less federal interference with business, will soon be as great an asset to the White House as the similarly inspired Liberty League. If they could just run the Baileys, the Tydings, and the Byrds off onto the same sort of sidetrack to which the Liberty League excursion took the Al Smiths, the John W. Davises and the Bainbridge Colbys, they wouldn't have to worry much about conservative domination of the 1940 Democratic convention.

Road Funds Stand

Congress adjourned without acting on the bill introduced by a Republican Congressman, Rep. Bacon of New York, to carry into effect the President's recommendations for a reduction in the federal-aid highway program. The Democratic leadership regarded the move as hopeless from the start. Failure to enact the bill assures a \$200,000,000 authorization for road-building in 1939. Further, Roosevelt will meet stiff opposition in attempting to cut authorizations of a like amount for 1940 and 1941, but he may be able to exact a compromise in line with the total reduction in the government's entire budget.

Credit for Industry

The Federal Reserve Board is studying the possible utility of establishing

a system of intermediate credit banks for industry. The troubles of small business in obtaining capital loans have been more or less cried down but recession has focused attention on the problem. Although it is not their function to make capital advances many banks in years past afforded such accommodation but are not doing so now. There is a partial resemblance between this proposal and the agricultural intermediate credit bank system which serves as a pipe line between the financial markets and the farmer by discounting the paper of farm production credit associations out of funds obtained by the public sale of debentures.

Better Than Nothing

Belated restoration by the ICC of \$10,000,000 of the emergency freight surcharges indicates that the commission's heart is in the right place for the railroads. \$75,000,000 of the \$100,000,000 which was eliminated has now been restored, but the carriers won't enter the capital goods markets on a big scale, nor will Wall St. jubilate, until the commission comes across with most, if not all, of the request for a 15% horizontal freight boost.

Seeking Program for Carriers

Powerful leaders on Capitol Hill regard the railroads' situation as calling for administrative, not legislative, action. Senators and Congressmen closely identified with railroad matters expect the ICC to devote its annual report next month to answering the President's challenge that the ICC develop an affirmative program offering some hope of permanent relief.

Fighting Silver Cut

Silver statesmen are conducting a mass attack on the White House to keep the President from cutting the domestic subsidy. The threat that the price the government pays for new-mined silver would be sliced from 77c to around 62 or 66c was conveyed a couple of weeks ago from the White House, but it was interpreted as a warning that legislators from the silver states must support the President's legislative program. It is true that the President has thought seriously of paying only the world price for silver, just above 44c; but the silver boys, realizing their strength in the Senate, claim better than an even chance of holding Roosevelt to the present price.

For Tydings-Miller Repeal

The National Grange will sponsor a



It Drinks 200 Gallons a Mile

● The Iron Horse is a heavy drinker. Erie freight locomotives use as much as 200 gallons of water per mile. Water for steam to send these giants roaring down the rails at a faster clip than ever before.

Erie spends tremendous sums for chemical treatment of this water—insuring greater locomotive efficiency. Erie locomotives are specially built for high-speed heavy-duty work.

They represent one of the reasons why your freight will be delivered on time—and safely. One of the reasons why Erie is "first in freight." On your next shipment call an Erie Agent.

Travel
the Scenic Erie
... between New York, Binghamton,
Elmira, Buffalo, Chautauque Lake,
Youngstown, Cleveland, Akron, Chicago.
AIR-CONDITIONED TRAINS
EXCELLENT MEALS • FINEST
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bill for outright repeal of the Tydings-Miller resale price maintenance law early in the new session. The organization doesn't expect to win in a walk but will take advantage of the price-conscious public attitude to push a campaign of "education." In a year, or two or three, it may be sufficient to turn the law back on its sponsors who, a few months back, with Jimmy Roosevelt's help, were able to put it over on the President but who now are on the defensive.

Dealers Demand Probe

Testimony before a House subcommittee considering the proposal to order a Federal Trade Commission investigation of automobile manufacturer-dealer relationships makes it clear that the dealers are 100% behind the proposal. Manufacturers seem to have no objections, but Congress probably will stall it off. With the picture clouded by a pending FTC complaint against General Motors and by the row between the Department of Justice and Judge Geiger of Milwaukee on the grand jury investigation of automobile financing, sentiment favors non-intervention, at least for the time being.

Labor's Civil War Goes On

Best guess on war between C.I.O. and A.F.L., which went into the trenches for Christmas this week on termination of the first attempt at a peace pact, is that a "third party" will try to bring the top union leaders together within a few weeks. Best guess on the third party is that it will be an Administration official working openly, or an Administration friend working off-the-record.

LaFollette Report Out

Business men who want the LaFollette committee's story about labor espionage should go to the report itself. News summaries rushed out to make headlines miss some important points. For instance, the corporation names on the subcommittee's list includes not merely companies charged with having spies on the regular payroll but those found to have hired private detectives in any connection with a labor dispute, if only as guards. Next move of the subcommittee will be an investigation of employer associations and vigilante groups.

Turnabout

Justice Black voting with the utilities or voting to uphold the anti-lynching law, if and when passed, would surprise none of his old Senate colleagues now. Not since he voted with the majority of the court against the admissibility of evidence obtained by wire-tapping. Justice McReynolds voting to uphold such tactics might appear more

surprising were it not for the fact Mr. Reynolds is constitutionally a minority voter on the high bench.

Brothers in the Law

Jerome N. Frank, whose appointment to the Securities and Exchange Commission has now been ratified by the Senate, is not a brother-in-law of Lee Pressman, counsel to the committee for industrial organization, as occasionally reported in Washington correspondence. Both were with the law firm of Chadbourne, Stanchfield & Levy, each had a high regard for the other's legal ability, and Mr. Pressman's appointment as assistant to Mr. Frank, when the latter was general counsel for the Agricultural Adjustment Administration, followed the old association, not at all the rule of nepotism.

Sizing Up Trade Outlook

Active export trade will help business back on its feet in the first half of the year but is due for a slackening after that, according to official observers here who believe that England, one of our biggest markets, has been riding the waves at such a high level that it won't last much longer. Shrinkage in prices is expected to aggravate the situation. There is some doubt about the extent to which the prospective British trade agreement may exert an immediate counteracting influence. Officials say privately that the agreement will put more emphasis on the retention of certain markets in Britain than on extension into new markets.

Preparing for Japan

Speeding up of Russia's armament program is reflected in an increase in orders placed in the United States. Having demonstrated that he can control the domestic situation, Stalin is actively setting himself in opposition to Japanese penetration of China. Russia is regarded in Washington as the only country that will have an important influence on Japanese policy.

Threatening More Trouble

It will surprise nobody if anti-Japanese feeling on the West coast results in violence to Jap fishermen taking salmon off Alaska. The State Department is keeping mum but realizes that a flare-up now might have serious consequences. The unions of fishermen cannerymen, and longshoremen are ready to call a boycott on Japanese wharfage at the drop of a hat. They have been held in check to give the State Department a chance to act, but trouble threatens if something isn't done by Jan. 1. Delegate Anthony Joseph Diamond also is grooming his bill to extend United States jurisdiction to all waters up to 100 fathoms.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*63.9
Preceding Week	†63.9
Month Ago	64.1
Year Ago	82.7
Average 1932-36	67.9

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	23.5	27.4	31.0	77.0	41.7
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$8,587	\$8,605	\$8,093	\$9,012	\$6,757
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands).....	\$6,728	\$7,902	\$7,526	\$9,708	\$6,601
*Bituminous Coal (daily average, 1,000 tons).....	1,669	1,347	1,580	1,814	1,329
*Electric Power (million kw.-hr.).....	2,202	2,196	2,224	2,275	1,850

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	104	104	115	123	99
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	62	67	73	77	64
*Check Payments (outside N. Y. City, millions).....	\$4,531	\$4,149	\$4,489	\$5,434	\$3,669
*Money in Circulation (Wednesday series, millions).....	\$6,596	\$6,591	\$6,534	\$6,552	\$5,768

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.97	\$.97	\$.95	\$1.37	\$.96
Cotton (middling, New York, lb.).....	8.41¢	8.24¢	7.92¢	12.78¢	10.74¢
Iron and Steel (Steel, composite, ton).....	\$38.90	\$38.88	\$38.90	\$35.18	\$32.04
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.125¢	10.250¢	10.917¢	11.208¢	8.525¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	148.6	148.9	146.2	202.7	144.6

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	5.52%	5.53%	5.63%	4.20%	5.09%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.95%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.05%
Business Failures (Dun and Bradstreet, number).....	200	234	206	179	291

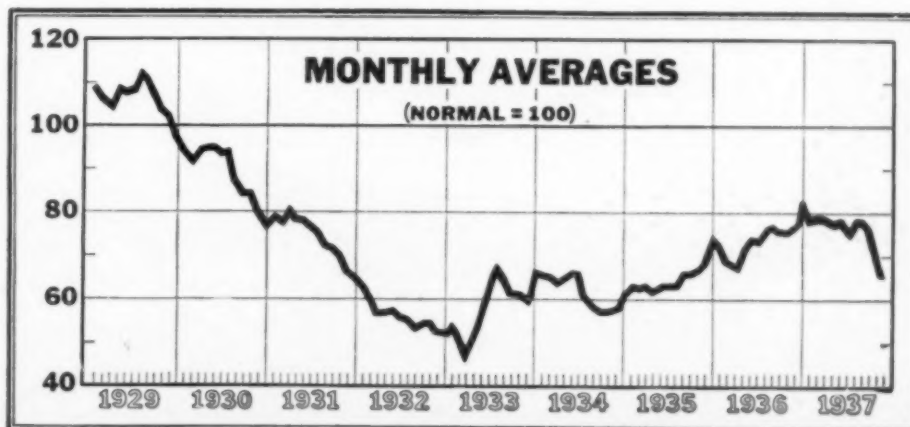
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,631	2,612	2,590	2,483	2,459
Excess Reserves, all member banks (Wednesday series).....	1,060	1,050	1,100	2,046	1,576
Total Loans and Investments, reporting member banks.....	21,668	21,489	21,530	22,875	19,857
Commercial and Agricultural Loans, reporting member banks.....	4,645	4,628	4,738	#	#
Security Loans, reporting member banks.....	1,567	1,600	1,523	#	#
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,286	9,115	9,099	10,549	#
Other Securities Held, reporting member banks.....	2,882	2,865	2,899	3,257	#

*Factor in Business Week Index. *Preliminary, Week Ended December 18. †Revised. ‡New Series. #Not Available.

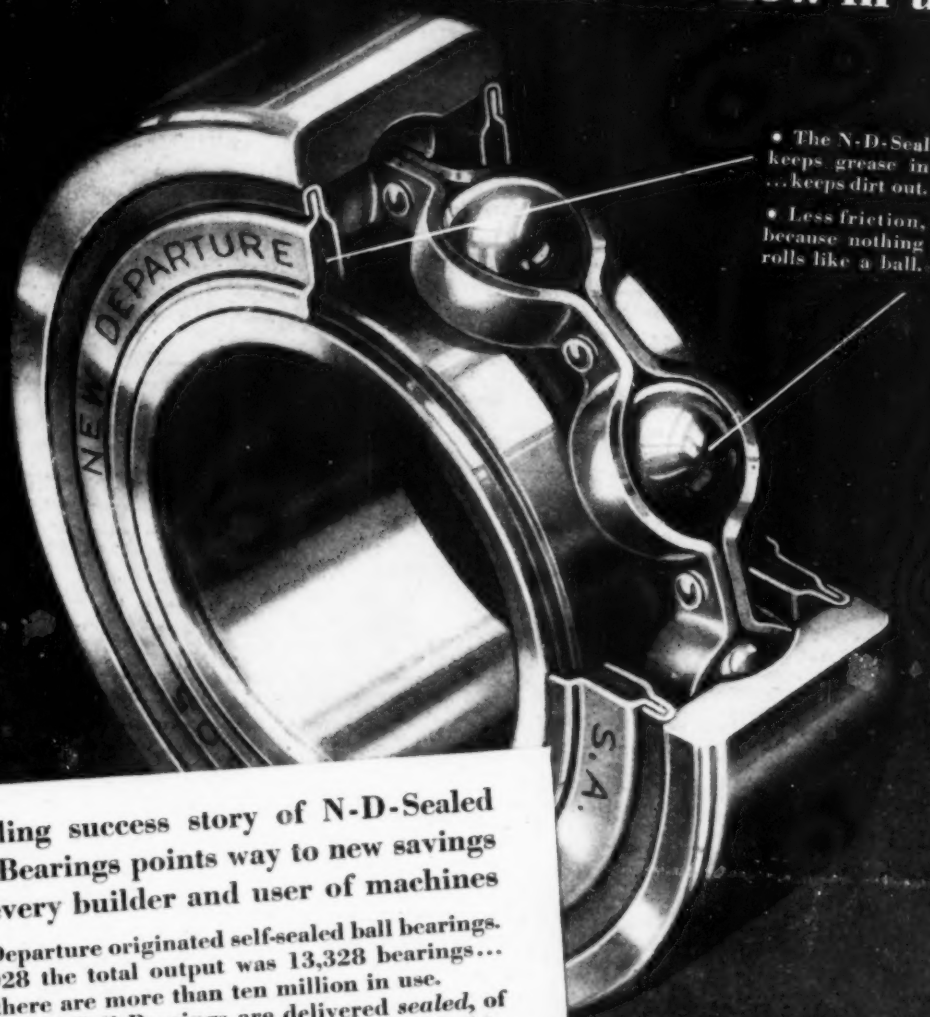
These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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NEW DEPARTURE DID IT!

...and so well 10,000,000 are now in use



• The N-D-Seal keeps grease in ... keeps dirt out.


• Less friction, because nothing rolls like a ball.

Startling success story of N-D-Sealed Ball Bearings points way to new savings for every builder and user of machines

New Departure originated self-sealed ball bearings. In 1928 the total output was 13,328 bearings... now there are more than ten million in use.

N-D-Seal Ball Bearings are delivered sealed, of course, and lubricated-for-life. Grease is sealed in ... dirt is shut out!

New, money-saving applications for these bearings are being discovered every day. If you build or use machines, N-D-Seal Bearings will probably save you money. Send for booklet D2.

Nothing Rolls like a Ball 

NEW DEPARTURE N-D-Seal Bearings

New Departure • Division General Motors Corporation • Bristol, Connecticut
ALSO MAKERS OF THE LARGEST SELLING COASTER BRAKE FOR BICYCLES

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THE BUSINESS OUTLOOK

CONSIDERED as a whole, 1937 has been a good year, despite the labor difficulties that interrupted the early months and the severe contraction in general business that characterized the last quarter. *Business Week's* index of general business activity will average about 75.4% of normal, compared with the 74.9% of 1936. Manufacturing and mining output, as measured by the Federal Reserve Board, will approximate 110% of the 1923-1925 average, making it the best since 1929 and 5% better than 1936. Farm cash income has been pared down to around \$8,500,000,000, putting it just ahead of 1930, and about 8% ahead of 1936.

Automobiles and Textiles

Automobile output will probably touch its 5,000,000 goal this year, or come very close to it. Cotton consumption will be the second best on record, though only slightly better than the 1936 totals. Rayon deliveries have slipped so drastically in the last quarter that the year will average less than the 1936 totals, but will still be the second best year on record. Wool consumption, too, suffered sharp contraction in the last three months, sufficient to pull the year's total about 6% under that of 1936.

Prices Are the Clue

Prices have probably been the key to the year's difficulties, and their recent tendency to stabilize may be the key to the coming months' recovery. Rising rapidly in the late months of 1936 and the early months of 1937, they stimulated the over-buying that eventually was stopped short by the President's warning on Apr. 2. The downward tendency since then has been most marked in raw materials; but recently semi-manufactured, finished, and even retail prices have softened. Nevertheless, the average for the year will still be higher than that of 1936 by 6% for wholesale prices as a whole, and finished goods, raw materials, and textiles; 12% for semi-finished goods; 7% for farm products; 4% for foods and chemicals; 10% for hides and building materials; and 9% for metals.

Steel Out in Front

Steel's career this year has been in the spotlight and has colored the general business picture. Reaching a peak of 90% of capacity in April under the pressure of heavy advance buying by consumers, who feared higher prices

and labor and shipment difficulties, steel maintained a good rate until late September. But despite the poor showing of the last three months, the year will wind up with just about the 50,000,000 tons that *Business Week* predicted for it a year ago (*BW—Jan 2 '37,p22*), which will make it either the second or third best year on record. The industry prides itself on its employment and payroll achievements this year which have established new highs, as well as on the extensive modernization and expansion programs which have been undertaken.

The Year in Building

The failure of residential building to carry through at the levels reached in the spring largely accounts for the unexpectedly small gain in construction this year. Private builders succeeded in taking up the slack left by the decline in public construction, but the combined total for the 37 states based on the F. W. Dodge records will show a gain over 1936 of less than 10%. Home building is up about 12%, non-residential about 18%, and public utilities about 35%, while public projects will show a decline of about 20%.

Railroads Look Ahead

Railroads are likely to get a good deal of attention next year, both favorable and unfavorable. Traffic this year will come closer to 38,500,000 cars than the 40,000,000 expected, this being entirely due to the slump in general business in the last quarter. But even this will mean a gain of about 6% over 1936. The roads were granted higher rates this week on a number of commodities omitted in the earlier decision this year; the new increase is calculated to add about \$20,000,000 to the roads' much needed income. But the main rate decision will be next year's prize.

Curtail Lumber Output

Lumber production has been curbed so sharply in December that the small margin of gain that was apparent at the close of November will probably be entirely eliminated when the year's final records are compiled, and a decline substituted.

How Retailers Fared

Retail sales have been closely watched recently for signs of shrinking buying following the curtailment of business operations. Christmas buying has not been all that was hoped for, and department stores will probably find the year's total sales equal to those of 1931 and about 6% better than in

1936. Variety chains will just about break even with 1936, while distributors in rural areas will do about 7% better than last year.

Auto Sales and Production

Automotive companies are currently plagued by cumbersome stocks of used cars in the hands of dealers. New-car sales are also lagging below last year's level, giving rise to rumors that radical changes are contemplated by leading companies to stimulate sales over the coming weeks. Chrysler has definitely denied such notions, and *Business Week* sources declare the story unfounded as far as other major producers are concerned. Ford is expanding production, attempting to catch up with its schedule; but General Motors and Chrysler continue to curb production until sales reports improve.

Airplanes for War

The aviation manufacturing industry has been favored with a record volume of business this year, and has sufficient business on the books now to carry it well into 1938 at a good clip. The unsettled political situation both at home and abroad that has caused bigger appropriations for armies and navies has been the chief source of the industry's spurt in sales.

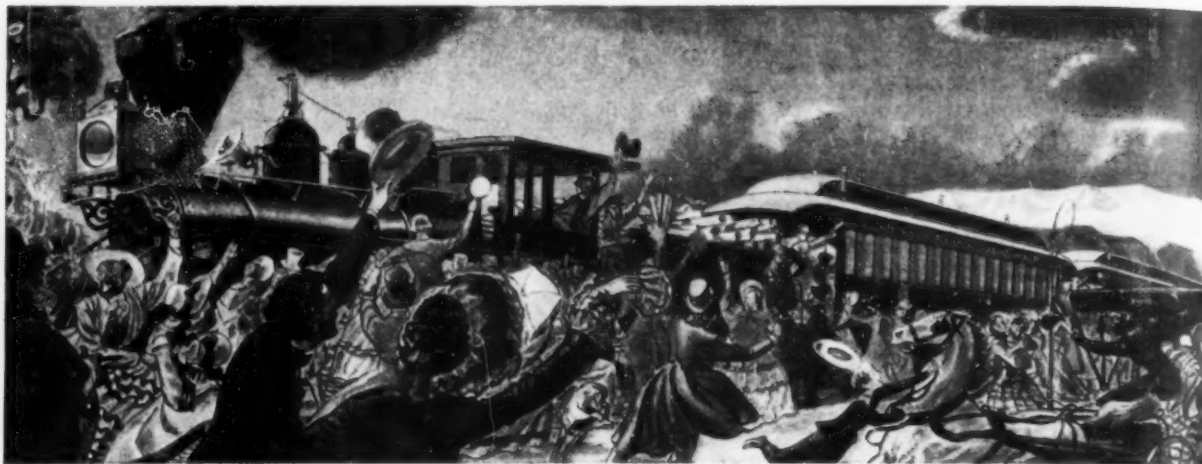
Rates on Airlines

The air transportation division is now beginning to feel the general slowing down of the business pace, plus the usual seasonal contraction at this time of year. Northwest Airlines' attempt to offset such influences by a drastic cut in rates to virtually railroad levels has been met with a cut by United Airlines, which competes with Northwest Airlines for traffic between Chicago and the Pacific Northwest. What worries air companies most in such special reductions is that when spring comes, the old rates are hard to restore.

Want Telegraph Boost

Telegraph companies have been finding the sledding hard, especially in the last few weeks as consumers have become economy-minded again and have taken to writing instead of wiring. Hence, Western Union and Postal Telegraph & Cable intend to ask the Federal Communications Commission for a 15% increase in rates. Increasing costs, wage restorations, and taxes for social security and other purposes have been bearing down on not too rapidly rising revenues, creating either deficits or very meager returns.

AGAIN THEY CHEER



HISTORY WAS MADE IN 1852. An epic event was taking place . . . a revolution in transportation. In carriages and on foot the populace thronged to witness the awe-inspiring spectacle. Out along the track, in villages and hamlets, crowds of country-folk stood gaping. For on this day the wonderful new train, the Rock Island Rocket, was making its maiden run out of Chicago.



AGAIN IN 1937 the crowds turned out in cheering thousands. They packed the terminals and swarmed through the yards. And for hundreds of miles the right-of-way was lined with excited watchers. They had gathered to see a new fleet of Rock Island Rockets take the rails—six light-weight, streamlined trains, built of gleaming stainless steel!

These new light-weight trains, built by Budd, have caught the imagination of America. They have re-focused the eyes of a whole people on railroad travel, and, wherever they pass, crowds assemble to marvel at their swift, sleek beauty.

Budd-built trains . . . whether they are pulled by steam, diesel or electric power . . . are making enviable records for efficient, profitable operation. Fabricated by the exclusive SHOTWELD process, these stainless-steel trains are *truly* light-weight. Trains built of other alloys

cannot match their achievements. Fully as strong and safe as conventional equipment, and with as much as fifty per cent less weight to pull, Budd trains are changing completely the old conception of luxury and comfort in travel.

Originator of ALL STEEL bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

EDW. G. BUDD MANUFACTURING COMPANY

PHILADELPHIA • DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT

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BUSINESS WEEK

DECEMBER 25, 1937

Looks Bad for U.S. Firms in China

As Japanese invade South, and as radical militarists dominate their policy, American business may be crushed. China hopes to bankrupt Japs.

SHANGHAI reads its evening newspaper by the light of electric power generated in the American-owned Shanghai Power Co., a subsidiary of the American & Foreign Power Co.

Women in Chinese villages 2,000 miles from Shanghai do their household sewing on Singer sewing machines by the light from kerosene lamps which were introduced to them and are serviced now by the Standard Oil Co.

Canton, Hankow, and Peking movie audiences are as accustomed to seeing Myrna Loy, Gary Cooper, and Robert Taylor as the crowds who flock to see these favorites in Topeka, Miami, and Buffalo.

U. S. Trade Names in China

Hundreds of other United States trade names are familiar to the Chinese. The General Electric Co. has a China office in Shanghai. So have International Business Machines, the Otis Elevator Co., Sherwin-Williams, Eastman Kodak, Ford and General Motors, Pepsodent, the duPont interests, and National City Bank of New York.

What is the outlook for these companies now that Japan has pushed its China drive far up the Yangtze, and set up a puppet government at Peking to govern "all of China"?

Five months ago, no informed ob-

server doubted that Japan intended to extend its sway over Chinese territory beyond the wedge it had driven between China and the Soviet Union. First thought was that the big push would end at the Yellow River, though that is admittedly no natural boundary. *Business Week* pointed out then that comparatively small American business interests would be affected so long as the conquest was confined to that Northern zone. Of the \$150,000,000 which Americans are known to have invested in business in China, almost \$100,000,000 was in Shanghai. Out of total American shipments to China last year of \$55,000,000, little more than \$2,500,000 entered through Tientsin. Imports to that Northern region included automobiles, soft wood, and kerosene.

What Is Ahead for Foreigners?

Now that Japanese troops have occupied Nanking, and the Chinese government has broken its organization into a half dozen groups and fled to as many provincial capitals far in the interior, and because of the mounting indications that the radical military crowd in Japan are setting the country's course on the continent rather than the more conservative group which won the last election (though the cabinet refused to acknowledge the victory), foreigners

are beginning to revise their estimates of what may be ahead for them in the rest of China—but particularly Shanghai—where they have felt so secure in their concession areas.

E. P. Goodrich, American planning engineer who helped to lay out the new Nanking for the Chiang Kai Shek government and who returned last week from Canton, where he was to advise on construction of new docks, reports that there is a strong feeling among Chinese and foreigners who know the Orient that in five years China can bankrupt Japan by persistent resistance—both economic and military. It then becomes a question whether or not this Far Eastern friction can run another five years without involving other nations—which would make it a world war.

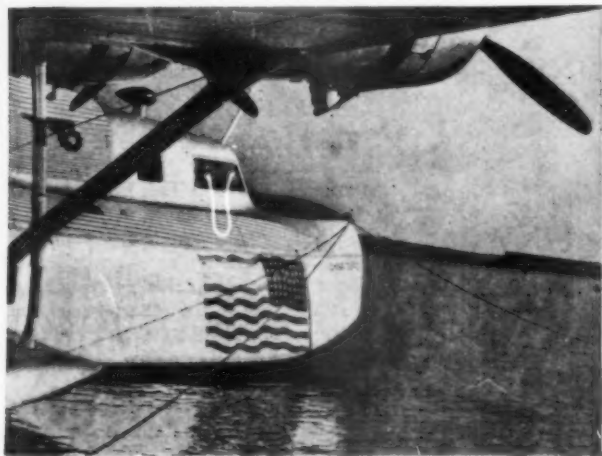
Ominous Precedents Set by Japan

In the six years since Japan started its continental drive in Manchuria, two precedents have been set which may have an important bearing on the future of the companies which are now for the first time confronted with a possible freezeout in China.

Manchukuo provides the first precedent.

In spite of Tokyo's stout protests to the contrary, Manchukuo is not an independent state. Whether or not a Japanese adviser works with every Manchukuan official, every major law is dictated from Tokyo military headquarters. In what direction is this control shaping the country's economic future, and what has been the effect on the investments of other foreigners?

The Mukden incident, which set off



TWO AMERICAN ANGLES TO THE SINO-JAPANESE WAR—At Alameda, Calif., the *China Clipper* gets a big American flag painted on her bow as protection in flying to war-threatened Hong Kong. At the right, citizens of East Liverpool, Ohio,



parade against Japanese-made goods. East Liverpool is a U.S. pottery center, and the demonstrators were union workers who burned competitive Japanese goods as a practical demonstration of the American Federation of Labor boycott.

Air Line Advertising Gets Competitive

Is there a Low-Level Airway
through Southern Sunshine
TO CALIFORNIA?

There is a direct airway from the Hawaiian Islands to California. It is a low-level airway, flying over the water, and it is a direct airway, flying straight from the Hawaiian Islands to California. It is a low-level airway, flying over the water, and it is a direct airway, flying straight from the Hawaiian Islands to California. It is a low-level airway, flying over the water, and it is a direct airway, flying straight from the Hawaiian Islands to California.

AMERICAN AIRLINES

FOR the most part the leading air lines have contented themselves, in their advertising, with boosting the advantages of air travel. A couple of weeks ago, American Airlines broke that policy, began a series of competitive ads (left, above) raising the ticklish question of the comparative safety of various routes. First of this week, United Air Lines struck back with the ad at the right, which discounts American's claims, points to United's contributions to safety in the air.

the Asiatic campaign of the Nipponese, occurred in September, 1931. Since then, Japan and Manchukuo have bought out the Soviet interest in the Chinese Eastern Railway; a Central Bank of Manchou has been created, and a new currency system created with a fixed relation to the Japanese yen; an exchange control law has been promulgated; the tax system has been completely revised, including the tariffs.

If there is any question that Japan is taking advantage of these powers, there is a whole set of regulations covering transportation, communications, mining, and industrial development.

Industries Controlled by State

The mining of gold and all minerals "essential to national defense" is under the direct control of the government. So are the light metallic industries, the iron and steel works, the shale oil developments, and the electrical and explosives industries.

There is another group of industries which may be operated privately, but only after a permit is secured from the government. This group includes the woolen and cotton textile industries, coal mining, oil refining, the automobile industry, and plants for producing gas, sulphuric ammonia, alcohol, and soda.

What this means to business in terms

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developed to push its control in China was smuggling. When control was extended over all Manchukuo, but before any military campaign had started on a large scale in the Peiping-Tientsin area, Japan completely demoralized the markets for import goods in the North, gained an advantage for smuggled Japanese goods far into the interior of China, and robbed the Chinese government of vital important revenues.

Smuggling Is a Weapon

These are the two methods by which foreigners now fear that they are going to be frozen out of China in the next few years. Until the last trace of a formal Chinese government is erased, Japan can smuggle into what is technically territory under Chinese control. It may yet be one of the most important weapons in completing the defeat of the Chinese forces. Already the territory from which the fleeing Chinese officials can collect taxes is shrunk to small limits. Not one port is likely to be left in their control when the Japanese army completes its coastal campaign. To control duties along an inland frontier thousands of miles long and lacking the usual means of transportation will be next to impossible.

It is the freeze-out-through-government-control method, however, which foreign business fears most. Even if Tokyo decides not to force abandonment of the foreign settlements in Shanghai, rigid control over the surrounding area will make it impossible for foreign businesses to operate profitably in competition with the privileged insiders. And by a system of regulations for "national development" or "for national defense," the foreign interest in utilities, mines, manufacturing, and communications can be eliminated.

Washington's stiffer attitude toward Japan since the *Panay* affair cannot prevent either of these moves if the same element remains in control in Japan as has controlled the country since 1931, unless this country is willing to back up its demands with force.

Germans Seek Advantages

There is one more angle to the situation which is only recently beginning to attract attention. This is the growing evidence that Germany, as reluctant as she may be to see the Open Door closed in China by such an able competitor for world markets, is playing for an investment advantage in Japan's new empire. It will not be an investment of money, for Germany lacks export capital. It will instead be an investment in new equipment and technical skill, for which Japan and China can pay in the raw materials—vegetable oils, tungsten, antimony—which Germany needs.

It is a new move which has picked up momentum only in the last year, but it is worth watching.

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RFC Asks Write-Off

Seeks to straighten out its record by eliminating certain non-recoverables.

WASHINGTON (Business Week Bureau)—Jesse Jones wants to straighten out the Reconstruction Finance Corp.'s record by writing off \$2,677,000,000 of non-recoverable assets for which Congress and not the corporation's board of directors is responsible. The largest item is \$1,783,000,000 for direct relief, of which \$283,000,000 was advanced to the states in the tail end of Hoover's administration. Since then the RFC has forked out \$1,500,000,000 to supplement direct appropriations for the same purpose.

Others items disclose the extent to which the RFC has financed numerous government activities. Wiping these advances off its balance sheet indicates that the RFC will not continue to play the role of banker for other government agencies. In line with this policy Congress will be asked to authorize the Commodity Credit Corp. to borrow direct, with government guarantee, instead of through the RFC.

Items in RFC's Proposal

Previous advances, which are evidenced by notes that Congress will be asked to cancel, include \$124,741,000 for the capital of Federal Home Loan Banks, \$200,000,000 for the capital of the Home Owners' Loan Corp., \$2,600,000 to the Land Bank Commissioner for loans to joint stock land banks, and \$145,000,000 for loans to farmers; \$115,000,000 to the Secretary of Agriculture for crop loans; \$97,000,000 for the capital of the Commodity Credit Corp.; \$55,000,000 for the capital of the Federal Farm Mortgage Corp.; \$56,600,000 to the Federal Housing Administration for the mutual mortgage insurance fund and other purposes; \$40,500,000 to the Farm Credit Administration; \$23,300,000 for the regional agricultural credit corporations; \$10,000,000 for the Disaster Loan Corp.; \$24,600,000 for other purposes.

Cigarette Paper

Plans now developing may provide a domestic supply and break French monopoly.

CIGARETTE paper is one of those specialties in which France excels. It has long been an important item in our imports. One American manufacturer (Schweitzer) tried to break this French monopoly (BW—Nov 18 '31, p7), but the trade continued to follow the traditional channel. Plans now on foot may lead to a large domestic production of cigarette paper and—more im-

portantly—to acceptance of the home-made product by cigarette makers.

The Champagne Paper Corp., New York, distributor of French-made paper in this country, is back of the move which aims to establish an American plant. It has options on land in North Carolina and is carefully looking over the prospective areas to make sure that there is plenty of water of the right chemical properties. It also is checking on the adequacy of its raw material, flax.

Durham Favored As Mill Site

Durham, N. C., where a fourth of our cigarettes are manufactured, is reported to be favored as a site for the paper factory. Cost of the plant would be in the neighborhood of \$5,000,000. Reports declare that such a mill could produce all U. S. requirements. Some of the biggest cigarette makers are said to be in on the move. One tobacco corporation has been experimenting with the chemistry of cigarette paper.

Previous attempts at American manufacture of cigarette paper have been mostly with imported linen rags. For a long time tests have been made to discover here the most suitable lands for flax growing. Several experiments

are in the Carolinas. Laboratory tests followed by full factory operation have proved that papers equal in every way to that imported can be made of American fibres.

The following significant statement was made by Harry H. Straus, president of Champagne Paper Corp. at the meeting last May of the National Farm Chemurgic Council:

"What has been accomplished so far in connection with flax and hemp fibre gives promise of the construction in this country, in the near future, of at least one large mill for the purpose of manufacturing lightweight papers from flax and hemp fibre—American-produced raw materials—developed and adapted to the use by the skill and labor of American growers and scientists."

Plan Would Hit Imports

Should the program be completed, American labor and farms will benefit at the expense of French interests (and of foreign trade). In spite of their lightness, cigarette papers are an important and stable item of international commerce. For the first nine months of 1937 we imported 12,068,000 lbs. valued at \$2,894,000.

A Machine to do the Bank Teller's Work



THE Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, recently installed the first automatic bank teller in the United States. This week two New York banks followed suit. Built by Recordak, a subsidiary of Eastman Kodak, the machine photographs checks and deposit slips at the rate of 5,000 an hour. No cash can be received by the device.

Modern Anthracite

Research and merchandising agency is working to improve the hard-coal industry.

ANTHRACITE INDUSTRIES, INC., a group research and merchandising agency, plans a six point program to modernize the hard coal industry. Supported by a 3¢ contribution on each ton mined by its 31 cooperating companies, it will spend \$1,000,000 in the following fields: publicity, through shows and newspaper advertising; a research and equipment testing laboratory; a field staff; collegiate fellowships; manufacturer contacts, and merchandising schools.

New Equipment Tested

The slump in hard coal, Anthracite Industries believes, can be traced to labor difficulties and to the development of modern equipment using other fuels. Tensions in labor relations have been left behind. Anthracite Industries is developing and testing new equipment in its laboratory at Primos, Pa. The principal unit is the automatic

anthracite stoker, which has the merchandising attraction of providing uniform heating.

Research undertaken with this unit is directed toward improving thermostats, solving problems of heating, and meeting the consumer objection to ashes. Under construction at Primos is a chamber in which a bungalow can be tested under all weather conditions throughout the year. Ashes are placed by the stoker in covered cans ready for convenient removal from the cellar, or shunted into a large storage bin which can be emptied at infrequent intervals.

Consumer and building trade confidence will be cultivated by testing both its own and manufacturers' products in the laboratory. If acceptable they are granted the Anthracite Industries Seal of Approval. No product, Anthracite Industries declares, which has been rejected by the laboratory, has succeeded on the market.

Another function of the laboratory is discovering new uses for anthracite. Air conditioning units are under development and tests. Anthracite, ground to the consistency of sand, is

also being pushed for use in municipal water filter plants.

Beginning in January, a two weeks' merchandising school will be held each month at Primos. Technical subjects will be approached from the merchandising angle for dealers and others associated with the industry.

The advertising phase of the program will be projected into publicity, newspaper advertising, and displays. The organization also has a film available on the industry.

Other Industries Interested

A surprising feature of Anthracite Industries activity has been the interest aroused among industries remotely affected by anthracite. Manufacturers' contacts will be a part of the program. The sale of a stoker will be conceived as also selling so many tons of coal in future years. Moreover, there will be a definite approach to the architectural field.

More than 40 field agents of Anthracite Industries are used to establish smaller Anthracite Industries and to make contacts with producing companies and dealers.

Grand Coulee Half Finished — Construction Soon to Start on Upper Half



HIGH, LOW, AND—the jackpot, which in this case is a \$35,000,000 contract to complete Grand Coulee Dam. The "low dam," or foundation, is finished; the "high dam" will finish off a structure 4,300 ft. long, 550 ft. high across the Columbia River. Low bidder on the job is Interior Construction Co. (officials shown in inset) which is a grouping of 11 big contracting firms. They have already contracted with labor unions

of the American Federation of Labor for a closed shop on the job, and for wage minimums much higher than the stipulated scale which had been ordered by the Bureau of Reclamation. Wages averaging approximately 20% above the ordinary scale are expected to bring all the workers needed from Spokane, Seattle, and Portland, and guarantee uninterrupted work on the big construction job.

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Alky-Gas Gets Going

Chemical Foundation takes over experimental plant at Atchison, Kans., for commercial production of Agrol, promises farmer a share of motor fuel market.

THE National Farm Chemurgic Council, formed in 1935 by the Chemical Foundation under the leadership of the late Francis P. Garvan (*BW*—Nov 27 '37, pp 42, 44), set its sights on new jobs for 5,000,000 persons and an increase of \$5,000,000,000 in annual gross rural income within 10 years. Its idea was to create industrial markets for farm products through chemical research.

Motorization of America deprived farmers of a huge outlet—that of raising feed for draught animals. Hence an important item in the program was promotion of an alcohol mixture for gasoline. The "alky" would come from rural crops, the plan being to "grow" more and more motor fuel as crude oil reserves lessened. It stepped on the toes of the petroleum industry which emitted loud cries of criticism and derision.

Commercial Production Started

However the Chemical Foundation plowed right ahead, subsidizing production in the Bailer Mfg. Co. alcohol plant at Atchison, Kans. (*BW*—Mar 14 '36, p 26), fertilizing its experiments with expenditures of \$275,000, producing and marketing an alky-gas mixture which it christened Agrol. Now, after a year and a half of experimental operation, the Atchison plant has gone into commercial production.

Returning from Atchison to New York last week, William W. Buffum, treasurer and general manager of the Chemical Foundation, disclosed to *Business Week* progress that has been made. The Bailer plant at Atchison has been bought by the Foundation. An operating company, the Atchison Agrol Co., Inc., has been formed. It is controlled by the Chemical Foundation and Mr. Buffum is president.

Plant Equipment Improved

On Dec. 2 the plant shifted from a research status to that of a commercial producer. It aims at a daily output of 10,000 gallons of alky. Under the management of Dr. Leo M. Christensen many improvements have been made in plant equipment. Believing that they have overcome the major problems, the chemists are tackling that of utilizing carbon dioxide gas (which now escapes) for dry ice. The plant "probably will be producing dry ice next summer."

Comparable strides in marketing have been announced. At first Agrol was furnished to gasoline distributors who would use it for a mixture. In some

cases even retail station owners were induced to buy Agrol and add it to their gas. For promotional reasons this activity was scattered as widely as possible. During the past season 1,500 gas stations in Kansas, Iowa, South Dakota, Nebraska and Missouri sold Agrol gas at their pumps.

Big Oil Companies Still Hostile

Mr. Buffum announces the passing of the experimental stage in this field also. Agrol is now being sold to independent refiners for mixture in gasoline. Major companies are still opposed to the idea but the Agrol boys don't care; they say that mid-west farmers are apt to favor anything the "big oil companies" oppose. Agrol is now being used for gasoline mixtures by the Derby Oil Co., Wichita, Kans., Vickers Refining Co., Potwin, Kans. and the Kanotex Refining Co., Arkansas City, Kans.

The Agrol (alcohol plus denaturants) is delivered to the refineries where it is added to gasoline. It is claimed that this alky-gas is in increasing demand both because of demonstrations that show its motor fuel value and the good-will that comes from advertising Agrol as a farm product. No attempt is made to under-cut straight gasoline; present policy is to retail the alky-gas at the same price as that for straight gasoline of similar power rating.

Boost from Nebraska Farmers

On the retail side Agrol recently received a boost from the Nebraska Farmers Union, made up of the state's farm cooperatives. Its members operate 178 bulk stations and 1,600 retail outlets. A delegation from the organization visited the Atchison plant. Not long afterward, the Union announced that it was prepared to put Agrol gasoline into all its stations.

The Atchison Agrol plant is now running on barley, rye, corn, grain sorghum (kaffir corn). Supplies are taken from surrounding farm lands. While promoting acceptance of Agrol by farmer-consumers the Chemical Foundation also had to promote the growing of suitable crops. Just now it is excited over successful experiments with grain sorghums.

In the face of doleful prophecies against planting sorghums north of Texas, the Foundation's experimental cultivation extended to South Dakota. It announces that certain varieties flourish both there and in adjacent states. Results sound like an answer to the stock grower's prayer.

Fills New G-E Post



LAST week General Electric Co. created a new position near the top of its administrative staff—that of executive vice-president. Man who will fill the important post is Charles E. Wilson, for twenty years a G-E executive, the last seven years as vice-president in charge of the appliance and merchandising department.

The threshed grain is processed by the plant for the carbohydrates which make the alcohol. There remains a concentrated stock feed containing 40% proteins which is approximately 90% digestible (compared to the 40% digestibility of cotton meal cake). In addition, the farmer has left the sorghum stalk, all of which makes edible silage. Ultimate plans provide for paying the farmer cash for his sorghum grain and delivering for his return trip the amount of residue feed which his grain would produce. The feed is now sold to dealers.

How Farmers Will Benefit

If estimates work out accurately, farmers in hauling distance of such plants will receive a large income both in cash and in the value of stock feed. From 1,000 acres of sorghum raised near Atchison this year farmers will be paid for their grains by the Agrol plant \$13,500, all in cash, which they wouldn't have received otherwise. On estimates of the Atchison County farm agent, the value of this year's sorghum crops (grain, feed, concentrates and fodder) average \$84.94 per acre of which \$11.63 is cash. Based on the same estimates, the value of the county's corn crop is \$9.36 per acre and of wheat \$12.30 per acre.

Assuming that 30,000 acres of these lands were transferred from corn to sorghum crops, Mr. Buffum asserts that income from this acreage would "be

raised from \$280,800 per year to \$2,548,200, an increase of \$2,267,400 per year." He adds:

"If this 30,000 acres is transferred from wheat to sorghums, the income will be increased from \$369,000 to \$2,548,200, an increase of \$2,179,200. That is, the cultivation of grain sorghums for the production of grain to operate the Agrol plant, and concentrate and fodder for feeding operations, will increase the farm income in the Atchison trade territory at least \$2,000,000 per year. This figure does not represent the increased value of the feed after conversion to meat or dairy products."

Contract System Proposed

Mr. Buffum visions a large number of farm areas having a 50-mile radius with an alky plant in the center. The growers would contract to sell so much sorghum grain to this plant and to divert a portion of their acreage to this crop. He says that, under present tested practices, commercial installations can make a gross profit of 15%, the net depending on individual efficiency.

Local capital is becoming interested

in the states where Agrol is sold. Nebraska exempts from her gasoline tax that proportion of an alky-gasoline mixture which is made from American farm produce. Neighbor states may follow suit. Interest in farm chemistry has taken solid form in Kansas where a \$720,000 research laboratory is being built (at the state agricultural college, Manhattan).

But the Chemical Foundation is careful to state that all its development has been without any sort of government aid. And it hopes that its development will attract private capital.

Redwood Motor Fuel

California company experiments with charcoal gas to drive trucks.

REDWOOD charcoal as a basis for motor fuel is the latest by-product possibility developed by the California redwood industry in its aggressive market expansion program which already has resulted in several new uses for redwood.

The Hammond Lumber Co., San

Francisco, is conducting experiments in which carbon monoxide gas from redwood charcoal is used to operate trucks. The process used is similar to that developed in Europe, with alterations demanded by the peculiar qualities of redwood. G. L. Graiff has found that one pound of charcoal will propel a truck one mile. A top speed of 50 miles per hour has been accomplished.

How Fuel Process Works

At the Hammond laboratory, charcoal is placed in a 12 cu. ft. tank carried on a truck and heated by a small grate. As the charcoal burns, its elements are broken down into constituent parts. The smoke goes through a generator, then into a "scrubber" where impurities are removed, then into a mixing valve where air is added to provide a combustible gas. From that point it goes directly to the manifold. Atop the manifold is a carburetor which may be used, if the operator wishes, to "sweeten" the monoxide gas with natural gasoline. In the present arrangement, trucks may be propelled by monoxide gas, by a mixture of gas and gasoline, or by gasoline only.

Hollywood Makes a Movie About a Business, and It May Start a Cycle



THE two outstanding movies about business—"Lloyds of London" and "The House of Rothschild"—were both about foreign institutions. First American company to be thus dramatized is the Wells Fargo Bank & Union Trust Co., of San Francisco, in the soon-to-be-released Paramount Picture "Wells Fargo." When Paramount decided to produce the film, it found that the bank had available authentic data dealing with its early



life. The result is a colorful, dramatic story that brings out vividly the part played by imagination, courage, and responsibility in the building of an enduring business. Movie men say "Wells Fargo" may well create a cycle of such films. Left is an actual photo of the Wells Fargo office in San Francisco in 1855. Right, shooting a scene of the Black Friday panic of 1855 in front of the movie reproduction of the office.

A HOLIDAY MESSAGE TO THE DRIVERS OF TRUCKS

MARK TWAIN once said, "The weather is always getting up new designs and trying them on people... I have counted one hundred and thirty-six different kinds of weather inside of twenty-four hours."

When the icy blasts of the Arctic come down most of us in the North can scurry to cover, but trucks and their drivers stay out and face the music. Daily deliveries are made; cross-country transit keeps to its heavy schedules; meat, milk, and merchandise are put through as on a day in June.

Trucks today are built to take it, and so are the millions of men who pilot a world of freight on rubber. Trucks are showing their mettle and *truck drivers are on the job.*

Whether you face the elements over the hood of one of the new Internationals, or whether your truck bears another name, INTERNATIONAL HARVESTER salutes you. In the new line of Internationals we have done our utmost to give the driver snug refuge in cabs of automobile comfort, to put at his command the finest truck product it is now possible to build. Truckmen everywhere—more power to you!

INTERNATIONAL HARVESTER COMPANY
(INCORPORATED)

180 North Michigan Avenue Chicago, Illinois



Trucks of INTERNATIONAL HARVESTER Quality
—from Half-Ton to powerful Six-Wheelers

THIS IS KINGAN'S 116th INTERNATIONAL
Kingan & Co., Indianapolis, Ind., operate trucks at branches scattered from Tampa to the Great Lakes, from New York to San Francisco. Users of Internationals for seven years, they are now standardizing on Internationals.

INTERNATIONAL TRUCKS

More Used-Car Grief

Exceptionally early cold weather in most of the country has retarded sales.

DETROIT (*Business Week Bureau*)—Cold weather setting in earlier than usual over most parts of the United States has added another worry to those already perplexing automobile sales managers. Used cars are even harder to sell than new cars when the snow flies.

Two months ago, sales managers realized that stocks of used cars in dealers' hands should go no higher. A month ago they felt that something should be done to reduce stocks, as dealers began to complain of too much money tied up in inventory.

Concentrate on Merchandising

Today, most companies are worried. Almost every old wrinkle in automobile merchandising—there are few new ones possible in this industry—is being resurrected from the archives and smoothed out for immediate application.

Radio programs are being switched to feature "used car commercials." New-car guarantees on used cars—insuring purchasers against labor and materials repairs cost for a period up to 90 days—and newspaper advertising

budgets signed over to used car departments by new car divisions, are evidences of the concentration of the industry on this problem.

The trouble is not so much that used cars are of too recent vintage, as is customarily assumed. The greatest number of cars in dealers' hands date back to 1929 assembly lines, with the number decreasing regularly for each more recent year.

Used Car Values Higher

On the other hand, used car values have gone up 24% over a year ago, according to the National Automobile Dealers' Association, compared with an increase of only 8% in numbers. Reason: overtrading, mainly, with increases in new car prices also a factor in hiking valuations. Result: Average car in dealers' hands is now worth about \$300.

In the final analysis, however, the crux of the used car problem remains the fact that the normal used car buyers—wage and low salary earners—are out of the market right now. From this standpoint it is interesting to note that even Willys sales are dropping off, for the first time. Willys produced 20,000 more cars this year than had been planned—largely as the result of sales to normal used car buyers. As a matter of fact, many a Willys was sold during the last year by regular used car specialists on used car lots.

Carburetor Conflict

Comparative newcomer fights for business. Old-timer is charged with monopoly.

DETROIT (*Business Week Bureau*)—A few years ago a group of Bendix-Stromberg officials resigned to organize a new carburetor company—the Chandler Groves Co., with headquarters in Detroit.

On Dec. 9 of this year, the Federal Trade Commission cited the Carter Carburetor Co. (an American Car & Foundry subsidiary) under the Clayton act. While seemingly far-fetched, there is a relationship between the two events.

There have been few businesses so highly competitive as the carburetor business. At one time there were better than a hundred manufacturers in the field. The pace of price competition, and the necessity of maintaining nationwide service, killed off one after another, until a few years ago there were only a handful in the game. The depression almost did for the rest.

They Fall Out of Race

Zenith sold out to Stromberg and now supplies only to truck and bus manufacturers. A few weeks ago Marvel Carburetor Co. was reported ready to give up the ghost; it was supplying Buick, Nash, and Graham.

This would leave only four companies still active in the passenger car field—Carter, Stromberg, Tillotson, and Detroit Lubricator. The latter has only a small share of Cadillac business. Tillotson, in Toledo, furnishes carburetors for its old friend Willys.

Were it not for Chandler Groves, Carter and Stromberg would be fighting only between themselves for the rest of the passenger car business.

Distribution of Business

Undismayed by the intense competitive situation, Chandler Groves started out after original equipment on passenger cars. Last year it landed the Packard six. Now it supplies carburetors also for a Plymouth "economy" model, and to Dodge for part of its truck production. Moreover, it supplies the Lincoln Zephyr.

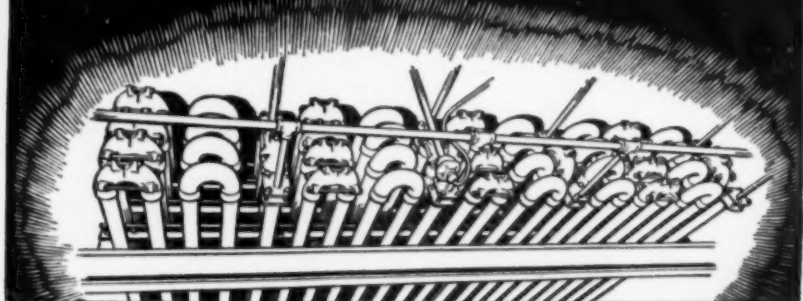
In General Motors, Carter supplies Chevrolet, Pontiac, Olds, and part of Cadillac. Stromberg has the Cadillac 8 and Buick. In Chrysler, the sixes carry Carters, the eights Strombergs, with Carter on Plymouth and DeSoto, and Stromberg on Dodge. Stromberg supplies Ford, although C. G. is now getting a small share of the business there, also. Illustrating the competitiveness in the industry is the fact that Carter supplies most of G.M., although G.M. holds 40% of the stock of Bendix, which owns Stromberg.

In its efforts to obtain a greater share

Industry uses

WROUGHT IRON

for REFRIGERATION



WATCH the refrigeration system in your plant if you want to cut corrosion losses. Refrigeration is tough on pipe. Where ordinary ferrous metal averages only 8 years, wrought iron has averaged 19 years. That's why many leading industrials use Byers Wrought

Iron pipe and condenser tubes. Tell your engineers to write for the bulletin "Wrought Iron in Refrigeration Systems." A. M. Byers Co. Est. 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

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of original equipment, Chandler Groves ran up against the requirement of passenger car manufacturers that it must be able to offer nationwide service. It designed replacement carburetors for popular makes of cars and offered them to the carburetor trade.

From the standpoint of volume, replacement sales of passenger car carburetors represent only a small fraction of the business. Outlets are mainly service outlets, made up of high trained service specialists. Usually they only replace the necessary small parts.

Carter, which does not make replacement carburetors for cars on which it does not supply original equipment, has such a national organization of distributors, direct dealers, and sub-dealers under distributors. So has Stromberg.

To protect itself against loss of trained service outlets, Carter, it is asserted, notified its distributors to reduce discounts to outlets handling competitive lines "introduced since 1934."

This alleged notification, together with the fact that Carter and Stromberg together supply close to 95% of passenger car carburetors, forms the nucleus of the FTC charge.

Trust-Busting Bust

Judge dismisses federal suit against instalment companies because of attempt to arrange consent decree.

THE U. S. Department of Justice this week was back where it was three months ago in its anti-monopoly drive against the "big three" automobile sales finance (instalment selling) companies—General Motors Acceptance Corp., Commercial Credit Co., and Commercial Investment Trust.

The Department of Justice out-smarted itself. While a federal grand jury in Milwaukee was taking testimony on alleged misdeeds of motor manufacturers in collaboration with the finance companies, prosecutors and company attorneys tried to make an out-of-court deal.

Dismisses Grand Jury

When Federal Judge Geiger learned of these negotiations for a "consent decree" behind the backs of the grand jurors, he dismissed the grand jury and the entire proceedings as "improper," and thus evoked from Attorney-General Cummings a strong denunciation in a letter addressed to the House Judiciary Committee, which has authority to initiate impeachment proceedings.

Testimony by automobile dealers and representatives of finance companies which compete with the "big three" (BW—Oct 9 '37, p16) began in September. As the result, U.S. Attorney-General Cummings came to the conclusion that General Motors Corp. tried to in-

duce its dealers to divert business to its wholly-owned subsidiary, G.M.A.C.; that Chrysler Corp., which owns stock in Commercial Credit Co., tried to show it similar favoritism; and that Ford Motor Co. aided Universal Credit Co., subsidiary of C.I.T.

Evidence supposedly was introduced to the grand jurors to show that if dealers did not use the finance facilities of the "big three" companies, cars frequently were late in arriving at show rooms. During the sellers' market for cars in recent years it is charged that manufacturers often used the excuse of "orders ahead" to explain tardy deliveries to dealers who failed to play ball with the affiliated finance company.

Charge Excessive Reserves

The Attorney-General's office also accused the finance companies of setting up excessive reserves in favor of dealers in order to get dealers to turn over their finance paper. But all companies, both large and small, use the reserve in some form to develop new business. G.M.A.C. establishes a reserve of 20% of the finance charge on new cars east of the Rockies (the percentage is higher on the Pacific Coast because terms are longer). C.I.T. and C.C.C. set up a reserve of 1½% on the first \$500 of the unpaid balance, and ½% on the unpaid balance over \$500. (There is no Pacific Coast differential.)

Up to \$714 unpaid balance, the G.M.A.C. reserve is lower than that required by C.I.T. and C.C.C.; but after \$714, the G.M.A.C. reserve is greater. The reserve is part of the finance charge, not an addition to it. Thus, on a \$714 unpaid balance, the finance charge for one year at ½ of 1% a month would be \$42.86. The reserve would come to \$8.57, so that the net finance charge to the company would be \$34.29.

Profit from Reserve Accounts

Most automobile dealers make a substantial profit from their reserve accounts, and the government contends that is *prima facie* proof that reserves exceed credit requirements. The finance companies declare that the reserve compensates dealers for repossession, reconditioning and resale expenses in connection with an unexpectedly acquired car.

The national companies buy paper which the dealer endorses, and by establishing a reserve in the dealer's favor, they have what might be termed "automatic recourse." Competitors of the "big three," operate to a considerable extent on a non-recourse basis (BW—Nov 13 '37, p47), and instead of setting up a reserve for the dealer, give him a rebate, equivalent to the national company's reserve. This is known as a bonus for bringing in the business. Indeed, most dealers regard the reserve or the rebate as a deserved payment for supplying finance companies with paper.

Airlines Cut Rates

Several companies make winter reductions on various important routes.

Six weeks ago, with winter coming on and airline revenues from passengers going into a decline, speculation about general reductions in fares reached the public (BW—Nov 13 '37, p16). More than that, one of the big lines—Transcontinental & Western Air—announced a special excursion rate which drew caustic comment from its big rivals.

But this week TWA seemed to be more of an entrepreneur whose example would merit substantial emulation. Down came rates in various ways; prospective were worries for the fare-makers until the pattern had been pieced together.

Rates Come Down

For instance: Northwest Airlines announced cheaper rates from Chicago to Minneapolis and St. Paul, and from Chicago to Seattle. The Chicago-Twin Cities hop, as it goes into effect Jan. 1 with Northwest, will cost less than 2¢ a mile. Chicago-to-Seattle rates come down to around 3½¢ a mile, compared with the present general average of around 5¢.

United, big transcontinental line, indicated that it would meet the rates out of Chicago, but hoped it wouldn't have to go further. The industry wondered what the final outcome would be.

At present, Braniff Airlines has matched the TWA excursion rates, Western Air Express offers cheap round-trip rates on its Los Angeles-Salt Lake City line, and two smaller outfits (Hawford Airlines, and Continental Airlines) have cut rates on Midwest routes. No damage has been done to the transcontinental rate structure, really—but a passenger could use Western Air Express between Los Angeles and Salt Lake City, use the big transcontinental lines for the rest of the trip to Chicago or New York, and cut the cost.

Rivalry between Cities

There is another problem, too, in civic consciousness and rivalry between cities. If the new fares to Seattle from Chicago, for example, increase the traffic to that West Coast city, San Franciscans will yell for a cheap fare to their town.

Thus the present situation is not a happy one. Bad flying weather cuts down the volume of traffic, and there is always a tendency to reduce rates in winter. But it is dreadfully hard to get the public to accept a corresponding boost in the spring—and that's where the rub comes in. From the events of this week, observers think that reductions haven't ended yet, and that agreements on basic rates are the next big item for discussion.

Using Radio to Talk from Engine Cab to Caboose



SINCE the early days of railroading, trainmen have used various systems for communicating from end to end of a long train—hand signals, lanterns, toots on the locomotive whistle, etc. Freight trains of present day lengths offer new problems and as a result of experimentation, Pennsylvania Railroad engineers, cooperating with leading electrical equipment companies, have developed three systems for providing

end to end communication over trains of varying lengths. Two of these are based upon telephone apparatus operating over metallic circuits, but the third uses compact, simplified two-way radio sets, one at each end of the train. In the pictures, the engineer is talking to the "brakie" in the caboose. The radio system requires no wayside hookups, and can provide communication with radio-equipped stations along the road.

Airports in the Red

Survey shows operating losses and will serve as guide in searching for remedies.

THE American Municipal Association has revealed a study of airport operation which shows the need of a chart for the fogs that surround their financial activities. Conclusions were studied at a conference in Washington this month, attended by representatives of cities, the aviation industry, the Bureau of Air Commerce, and other federal agencies.

The study demonstrates the generally accepted fact that airport operation is an expensive business. Also that municipalities feel that the interstate and defense factors make it a "national rather than local" problem. Which is another way of saying that they hope that Uncle Sam will come through with more money.

Figures on Losses

Some 738 cities have constructed airports costing over \$300,000,000. Seventy-eight operators revealed that their average losses for 1936 were \$13,332 per port, the total being \$1,039,936. This is especially interesting when compared with expenditures. Twenty-three cities that were studied reported average annual maintenance and operating costs of \$29,683 last year. For 88 municipal airports, average cost was \$19,862 for operations. Pittsburgh

"suffered the greatest annual operating loss—\$179,057."

If depreciation, payment of interest and principal on bonds, and similar items had been included, none of the 88 airports could have shown a profit and most deficits might have been doubled or tripled. Only six of the 88 showed a profit with these items eliminated, and their average profit for the year was \$561.

The figures are expected to be of great value in spot-lighting weaknesses and planning their elimination.

Need Men in Aircraft

90% of graduates of special schools get jobs quickly. New school dedicated.

COINCIDENT with seasonal reports of large orders to aircraft manufacturers, a post-depression problem of the industry is getting more and more attention. The problem is: where are the skilled workers coming from, to take care of the increased need for factory help, technicians, and mechanics?

To some extent, this is a more pressing problem in the East than in the Far West, as the big plants in California and Washington are of such size that they attract workers from other parts of the country. But the basic need is for a ready-flowing source of new manpower, trained in the way the factory

managers want it trained, and the West Coast shares this problem.

There are a large number of good aviation schools, and currently they are reported crammed full of students. Some of the graduates, not being sure of a job, spend a good deal of time looking for work, yet the consensus in the trade is that not more than 10% of these are allowed to seek work long. A recent report of the Aeronautical Advisory Committee of the New York City Board of Education, in this connection, showed that about 90% of aviation school graduates were placed in jobs within a short time.

West Coast Air Schools

On the West Coast a remarkable growth in air school personnel has been reported, with record enrollments in the Boeing school at Oakland, and the Ryan school at San Diego. Major activity, however, is centered in Los Angeles, where there is a sizable backlog of orders and factory payrolls are bulging. In downtown Los Angeles, the Warren School of Aeronautics has installed elaborate new welding shop equipment for simultaneous instruction of a score of students, and new machinery has been installed for machinist training. Day and night classes are being held.

In the same district, the trend of the industry toward carefully planned courses, with the help of aircraft builders themselves, was illustrated recently when the Aero Industries Technical In-

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Executive board of the institution includes: John K. Northrup, president, The Northrup Corp.; C. A. Van Dusen, vice president, Consolidated Aircraft Corp.; and Robert E. Gross, president, Lockheed Aircraft Corp. These men directed preparation of the courses, design and layout of the school's four buildings and five-acre "campus," selection of training equipment, and the engaging of instructors. They will supervise operations.

Advising the executive board is a distinguished group: D. L. Brown, president, United Aircraft Corp.; Donald W. Douglas, president and chair-

man of the board, Douglas Aircraft Corp.; Major Reuben H. Fleet, president, Consolidated Aircraft Corp.; Jack Frye, president, Transcontinental and Western Air, Inc.; J. E. Schaefer, president, Stearman Aircraft Co.; I. I. Sikorsky, president, Sikorsky Aircraft Division, United Aircraft Corp.; E. E. Wilson, president, Chance Vought Division, United Aircraft Corp.; and J. H. Kindelberger, president, North American Aviation, Inc.

The school is located close to Los Angeles terminals of the air lines and near plane manufacturing plants. Buildings and equipment represent an investment of \$500,000. Student capacity is 500.

At the close of the 1936-37 maritime strike they incorporated on a coastwide basis, hired an executive to serve as president, and gave him a staff of trained assistants. But more important, they said to labor (and to themselves): "We will stand or fall together. We have adopted labor's own slogan, 'One for all, and all for one.'"

Minimum of Labor Trouble

Since then they have enjoyed a minimum of labor difficulties. With this example before them, industrial leaders organized the Committee of 43 and set up a united front plan. Results so far have been satisfactory.

The organizations are complete and iron-clad, binding members to live up scrupulously to the dictates of the associations and their agreements, so far as labor practices are concerned. Penalty for violation is expulsion, which means leaving the offender to make out as best he can.

On the other hand, the associations guarantee full support to members in case of labor trouble. Their by-laws contain this provision: "If any labor union . . . or member of such union . . . shall violate any agreement with this corporation or any member thereof,

Employers Organize Own C.I.O.

San Francisco companies form a united front to oppose unions by mutual financial aid and by use of lockouts. Oakland applies same idea.

WITH Portland and Seattle in the throes of bitter interunion warfare, and Los Angeles employers busy devising new weapons to defend their traditional open shop, Pacific Coast business is watching San Francisco and a new industrial relations set-up there which many see as providing a powerful deterrent to labor strife in the area.

Faced a few months ago with unionization of every class of workers, from newsboys to bank clerks, the San Francisco employers organized a solid front through a Committee of 43 (so-called from the number of its original members) which represents practically every industrial and business group in the city—a kind of employers' C.I.O. Employers in San Francisco and its neighbor, Oakland, are organizing by industries into closely knit, incorporated associations. The associations handle their own problems, the committee acting in an advisory capacity only.

Movement Takes Hold

The movement is gaining ground under the leadership of such Coast executives as Roger D. Lapham, president of American-Hawaiian Steamship Co., Ward Maillard, head of a prominent San Francisco import-export house, Sen. Albert E. Boynton, president of the San Francisco Industrial Association, and R. B. Funsten, president of Walton N. Moore Dry Goods Co. Organization is proceeding quietly without fanfare or newspaper publicity.

Various attempts to effect a solid employers' association have been made in the past, but the wide diversity of business interests, and the fact that labor pursued the technique of "picking off" one employer at a time, always spelled defeat. Then those shock troops of

the Pacific Coast labor wars, the Water-front Employers and the Pacific American Shipowners, demonstrated the effectiveness of a closely knit employer or-

What the NLRB Has Done

	Total Cases	Workers Involved	Cases Closed	Withdrawn by Petitioner	Closed by Agreement of Parties	Dismissed Before Formal Action	Closed Various Other Ways	Strikes Handled	Strikes Averted	Strikes Settled	Elections
Three Months to											
January 1, 1936.	466	122,940	175	55	86	30	9	33	21	17	11
January, 1936.	110	20,346	84	21	39	20	4	14	4	9	6
February	66	5,424	55	11	33	6	3	5	8	..	2
March	90	19,300	80	27	30	19	4	18	3	10	3
April	142	11,646	93	22	46	22	3	10	9	7	3
May	108	26,460	98	28	50	14	5	32	4	18	1
June	86	34,739	95	38	44	6	6	13	3	11	6
July	74	31,936	85	34	33	9	9	24	8	15	2
August	112	8,565	65	33	22	9	1	6	14	2	1
September	150	9,214	62	18	33	7	4	15	4	14	21
October	147	27,335	167	54	80	14	19	69	3	62	2
November	88	309,187	78	14	40	18	6	25	5	18	16
December	128	18,986	142	47	62	24	9	44	3	15	9
January, 1937	110	24,744	118	25	78	14	1	34	10	31	3
February	195	74,870	123	37	64	17	5	31	2	16	5
March	239	49,616	143	25	91	25	1	46	61	40	7
April*	477	159,251	216	57	129	22	6	49	23	35	29
May*	1,064	319,572	447	56	328	48	15	107	51	105	74
June	1,284	369,856	671	139	468	57	5	141	70	100	108
July	1,343	305,161	775	136	472	162	5	105	22	87	183
August	1,122	306,006	743	146	448	129	20	95	64	75	106
September	991	180,465	763	126	483	133	21	105	21	98	99
October	1,053	181,351	801	190	454	99	58	105	22	71	82
25 Months' Total.	9,645	2,616,970	6,132	1,339	3,615	904	272	1,131	435	854	779

* Post-validation period.

Source: National Labor Relations Board.

Business Week

ANOTHER LOOK AT THE BOARD—Five months after *Business Week* pioneered in compilation of National Labor Relations Board activity, the record is brought up to date again. Most notable change is the growing number of petitions since last May, with more than a million workers primarily interested in getting a plant election. Consequently the NLRB is worried mostly about mechanical facilitation of elections and certifications. Unfair labor practices are tapering off as a cause for complaint; injunctions or suits brought against the board have decreased, though several are waiting for the final decision and four (*BW*—Dec 4 '37, p 49) have reached the Supreme Court.

or shall refuse to work for any member . . . the board of directors may render to such member or members the fullest moral support and such financial and other aid as shall be approved by the board of directors."

"Such financial and other aid," as illustrated in the practices of the Waterfront Employers' Association, includes payment to a member company for loss incurred when the unions tie up ships. In actual fact, other business firms have filled orders for strike-bound competitor-members of their association.

Employers Use Lockouts

The employers have an effective method of forcing unions to live up to their contracts, which has done much to eliminate the quickie strike and job action against individual employers. Here again, the maritime industry led the way. A lockout is put into effect and all dealings are broken off with the union. This, of course, means a complete shutdown in the industry.

The maritime group adopted the lockout as a definite policy, incorporating it in their by-laws, early this year. Since then they have used it, or the threat of it, several times, and with success. Latest demonstration was this month when the Shipowners' Association of the Pacific, whose members operate some 90 steam schooners in the coastwise trade, clamped down on the Sailors' Union and the Marine Firemen, Oilers, Watertenders & Wipers Association as the result of a quickie strike on one schooner in violation of an agreement to settle disputes by a port committee, with work continuing in the meantime. A year ago, the ship involved might have been tied up for six months or more while the rest of the steam schooner fleet continued to operate and the striking crew were given jobs (by the union) on other ships.

Unions Surrender

But this time the owners invoked the lockout. Orders went out to tie up all 90 steam schooners, putting 2,500 men on the beach. These men did not appreciate losing their jobs simply because three or four of their fellows objected to one of the meals on their ship. The unions surrendered before vessels could be beached.

There have been other notable examples of how the new order works. Retail clerks, striking at the H. C. Capwell Co., Oakland's largest department store, recently threatened mass picketing. Forty-one Oakland stores, served notice that, if any attempt was made to close Capwell's all 41 would close. The union immediately dropped the mass picket idea and accepted the employers' peace terms previously rejected. Oakland's restaurant owners weathered a similar storm by the same tactics.

Latest San Francisco group to or-

ganize is the Association of San Francisco Distributors—employers of warehouse labor. A year ago they suffered from the unions' "picking off" process as practiced by the experienced Harry Bridges, who sent his warehouse union at the warehouses one at a time, or a small group at a time. As a result, more than 40 agreements were devised

in that field, no two of them the same. Today the distributors are planning to consolidate those agreements, thus making wages, hours, and working conditions uniform and enabling a united front to be maintained. San Francisco hotels also have organized along the same lines and other key groups are in process of formation.

Toledo Labor Plan Bats .817

Peace board settles 70 out of 84 cases in first 10 months of 1937. After more than two years, city finds that mediation method pays.

"WHAT can the community do about it?" has become an oft-repeated query in the labor relations question-and-answer book. Checking up this week, *Business Week* finds that chambers of commerce and other civic associations still are making industrial relations a foremost subject of group discussion, that about a dozen cities have organized "Citizens Leagues," and that Toledo still is the best-known proponent of local mediation.

Toledo is celebrating its centennial, and in the minds of the average resident in the third city of Ohio "the first 98 years were the toughest" in labor relations. About two and a half years ago the Toledo Industrial Peace Plan—usually known as the Toledo Plan—

was adopted, and times have been less trying since that date.

Commenting on labor troubles in June, 1934, *Business Week* said: "Toledo strikers get the biggest headlines" in describing the violent Electric Auto-Lite labor troubles. But throughout 1937, Toledo's labor disputes have gained attention only in one minor case—the short-lived dispute between an independent union and a big C.I.O. group (*BW—Sep 18 '37, p20*). And yet Toledo's 51 major plants, currently employing some 20,000 workers, have all the problems of any other city faced with the "rise of labor."

In commenting on the results of the city's voluntary mediation plan, sponsors are careful to remind observers

America's First Aerial Tramway



YOU'VE seen aerial tramways in the newsreels. They're those cars, hung on cables between giant towers, that go swinging from Alp to Alp carrying sight-seeing tourists or skiers and their equipment. Up in the famous Franconia Notch of the White Mountains, a special New

Hampshire state commission is building the first of these aerial tramways in America. With the new popularity of winter sports, particularly skiing, other resorts may follow the lead. The tramway will be more than a mile long, will cover a vertical ascent of more than 2,000 feet.

that problem that easy set not always by the reco of this year which the side of the settled, 58 lockouts, a strikes had first full y settled 28 and three t

How Disputes

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Advice o

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that problems still must be met, and that easy settlement of labor disputes is not always possible. This is borne out by the records for the first 10 months of this year, which show 14 cases in which the Peace Board participated but which it did not settle. But the other side of the record is this: 70 cases were settled, 58 of them without strikes or lockouts, and in 28 of these cases, strikes had been threatened. In 1936, first full year of operation, the board settled 28 cases, including 12 strikes and three threatened strikes.

How Disputes Are Taken Up

The Wagner Act, of course, applies to Toledo industries affecting interstate commerce, but the sponsors of the local mediation service point out the lack of mediation or arbitration machinery in the federal act, even though genuine collective bargaining takes place and reaches a deadlock. In an effort to supply this "missing link" of mediation, the local board offers its services to both employers and employees.

Disputes can be taken up after any one of three moves: the director of the board can offer his services, a labor group can ask for advice, or an employer can submit a request for mediation. Thus far, there has been a general willingness in tight cases to submit the problem to the board; no one has flatly rejected its proffered services.

Such pressure as exists to bring disputants before the board comes principally from the public and the local newspapers, which by and large have supported the plan and have learned to put a certain amount of trust in it. There is no established procedure of mediation—usually the director meets jointly with management and the union negotiators, gets a clear understanding of the dispute, and seeks a good method of approach to compromise. It all seems to work pretty well, according to Toledo consensus, and there have been numerous requests from other cities for advice on the proper way to set up such a service.

Advice on Procedure

In this connection, the Toledo Associates, civic group headed by Joseph K. Close, advise that a good mediation plan cannot be evolved overnight and that the community should first try to get labor and management groups to talk it over without fanfare or publicity, then work out the details before announcing the plan. Thus nobody's toes are stepped on and no bitterness or suspicions are aroused on the part of groups which think that the other side is trying to put over a fast one.

In the case of Toledo, as nearly everyone remembers, Edward F. McGrady did the early spade work. After the electrical workers strike was settled, Mr. McGrady presented a draft of a

LABOR ANGLES

Unemployment insurance, which in New York State means a fund of more than \$100,000,000 built from employer contributions during the past two years and which begins to pay benefits to eligible jobless persons next week, takes a lot of explaining. The what, why, how, when, and where are told in a little booklet—and 5,000,000 copies is the first print order. Employers of insured employees will handle the distribution.

Having decided that industrial unions are in the strongest position in certain cases before the National Labor Relations Board, and that craft unions seem to have the edge in other cases, the Mechanics Educational Society of America has reorganized so that it is now both kinds. Thus it can represent craft groups in strictly-defined metal-working cases, or can be a "one big union" where that policy pays. MESA is found principally around Cleveland, and is an independent group which was founded in NRA days.

Labor unions publish a host of periodicals—newspapers, magazines, editors' clip-sheets, pamphlets, and mimeographed news releases. A.F.L.'s recent annual report listed more than \$40,000 spent for printing, mailing, and supplies such as paper and envelopes. Individual unions also go in for publications in a big way—printing, stamps, and paper ran to more than

\$114,000 for the ladies garment workers locals and headquarters last year. C.I.O. has about 20 newspapers of various kinds, and is reported to be all set with a \$60,000 fund to set up a national weekly. But—the best seller of all these publications is likely to be a little booklet: "How to Handle Grievances," issued by the steel workers union in Pittsburgh and devoted to a careful description of the Jones & Laughlin grievance settlement system. Industrial relations people who have nothing to do with steel have been plaguing the union's offices for copies, and the union is beginning to think it's got something there.

California had some legal reasoning to digest this week, in the form of two court decisions on labor cases. Ruling 1: Picketing is legal—such as that employed by the retail automobile salesmen's union in San Francisco to advertise the fact that 32 employees of the Howard Automobile Co. were not members—even though no strike exists. Ruling 2—that a contract with an unincorporated union is held by the members of that union, and that if they change their international affiliation they still have the majority bargaining right. This ruling settled the case where an A.F.L. group joined C.I.O., and the employer protested that his contract with A.F.L. was still good although the union which signed it had another name.

mediation plan to the local newspapers, which in turn broadcast it. The then Assistant Secretary of Labor suggested "a composite forum, representing the community, to which either side can bring its grievances, and which shall be of such repute and dignity that much trouble can be avoided."

Further suggesting that the board consist of five labor members and five employers, Mr. McGrady then went to both sides and asked them to propose committeemen. Early suspicion was finally overcome, and the board got down to business in July, 1935. It was clearly understood in the beginning that the board had no authority to order anyone to do anything and that cooperation of various groups should always be on a voluntary basis.

Today, "McGrady's baby" is still getting along well, taking its cases as they come. Ralph Lind of the National Labor Relations Board was the first director and got the wheels turning, making one more change—he appointed eight "public members" to assist the ten labor and management officials. That, too, has worked well, as the public members lend advice and counsel but have no way of outvoting one side or the other. No votes are taken, as a matter of fact, in any case.

One big problem which has not been solved in Toledo, and which concerns the board and its future, is the rivalry

between the American Federation of Labor and the Committee for Industrial Organization. Both groups have many union members in the Toledo district, but the Peace Board labor members are all A.F.L. men. Since the plan was set up, the C.I.O. has entered the picture, and the question of conference representation for that body probably will be met soon if the big labor groups don't make peace.

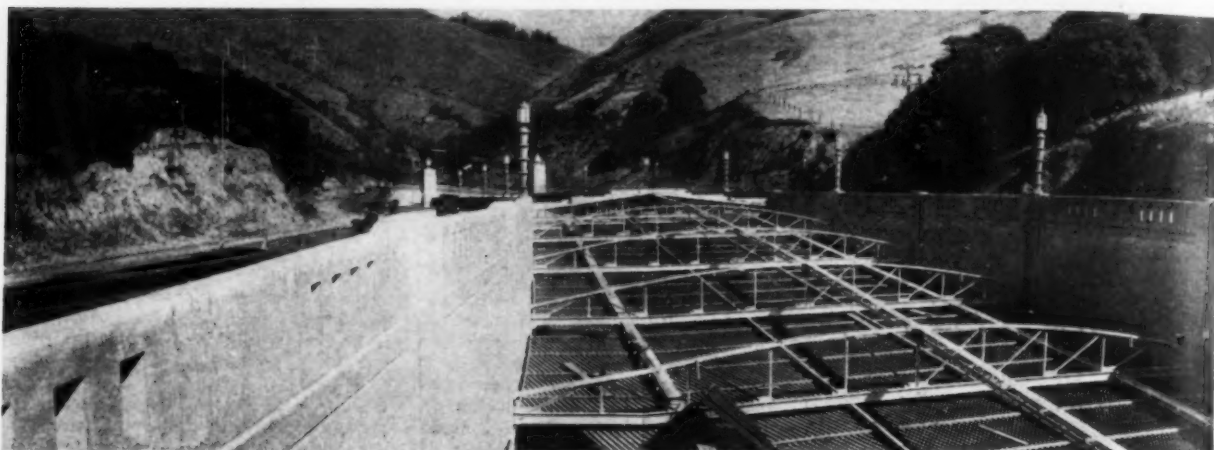
City Council Provides Funds

The board's first full-time director was Lee S. Harding, paid by the Department of Labor and sent out by Mr. McGrady after Mr. Lind was forced to retire to Cleveland to meet the rush of NLRB business. Mr. Harding, too, was recalled when other cities began to plague Mr. McGrady for a "man like you sent Toledo." And so the Toledo City Council passed an ordinance for continuation of the board and provided funds to pay expenses.

Present director is Edmund Ruffin, veteran newspaper writer and labor reporter, who is now in his second term. He was elected by the board, and can be fired by the board. For the year 1937, total costs to the city are estimated at \$6,950.

And that amount is slight, the Toledo citizens say, considering what changes have been wrought in the conduct of industrial relations.

Something New in Tunnel Engineering—Light Transition Structures



A NEW IDEA in tunnel construction is incorporated in the recently-opened "Broadway Tube," built by Metropolitan Oakland, Calif., at a cost of \$4,000,000 to facilitate traffic between the city and its Contra Costa County suburbs. At the approaches, light transition structures, consisting of overhead aluminum reflectors have been placed to prevent direct sunlight from

falling on the roadway. The reflectors are so arranged that, as the driver approaches the exit, the amount of sunlight in the tunnel increases. This allows him to adjust himself gradually to the transition from artificial light to the bright sunlight into which he emerges. As the tunnel runs east and west, the arrangement is particularly effective.

Metropolitan Oakland Committee

FTC to Clean Up Fur Field

Rabbit may be called rabbit and "mink-dyed marmot" just plain ground-hog after Federal Trade Commission tackles industry's trade practices next week.

FOR more than a year fur retailers, through their trade associations, the Retail Manufacturing Furriers of America, and the Greater New York Retail Fur Association, have been complaining loudly to the Federal Trade Commission of the unfair trade practices which existed in their industry. But FTC was usually busy elsewhere. This fall, however, the voice of the lady consumer was heard throughout the land, and the combined protests of the country's clubwomen and the retail furriers eventually had the FTC agreeing to sit down with the fur industry next week for a fair trade practice conference in New York City.

From Trappers to Brokers

A good many of the fur industry's troubles stem from the fact that it is at the same time both over- and under-organized. Some 55 organizations represent the various branches of the industry—ranging all the way from trappers' trade groups to assorted associations of manufacturers, merchants, retailers, brokers, and even rabbit dealers. And since very few branches of the industry are content to have only one organization represent them, the result is that whenever more than two excited, gesticulating furriers collect on a street corner, they are suspected by the trade of forming a new association. And they probably are, too.

The net result of the welter of little associations in the industry is a marked lack of cooperation between branches. Hence, when one group starts complaining mildly of practices indulged in by another, the answer is invariably, "You're another." And there the matter rests, unless someone of the numerous fur trade lawyers happens to want an extra piece of business. (Probably in no other trade do lawsuits or lawyers flourish as they do in the fur business. Let a furrier set up in business and immediately there's another one-client barrister—usually an uncle or a cousin or nephew ready to hang out his shingle. Even the social organizations—the salesmen's clubs and the like—are well represented by lawyers.)

The industry did have a national organization back in the years from 1923-26, but it died of delusions of grandeur before it had accomplished anything, leaving a sour taste in the trade's mouth. Now, the only organization which in any way represents the entire industry is a tax committee organized for the sole purpose of fighting the excise tax on furs (which was 10% until a few years ago—3% now).

Argument for the removal of that tax rests on the ground that furs are no longer luxuries, but necessities. Good furs may still be luxuries, but it is becoming increasingly simple to get fur coats for \$40 or \$50 or less.

Of course nobody expects to get a particularly good coat at that price—except perhaps the lady who buys it. Whatever else she may get for her money, she gets all fur, even if it is 100% rabbit as it likely is at that price.

Most furs are imported into the U. S., and through September of this year there were 92,808,644 rabbit pelts, most of them from Australia. The next largest number of imported skins were lamb, kid, sheep and goat, which altogether accounted for only 8,440,871 pelts. In the trade rabbit is generally known as coney, or if a haughty tone is desired, lapin. And after it's been processed and dyed the rabbit has turned into furs with such glamorous names as Beaverette, Mendoza Beaver, French Beaver, Erminette, Chinchillette, Sealine, Seal-Dyed Coney, and the like.

A Friend of a Friend—

But possibly the lady isn't buying rabbit furs. She may, like most women this year, want a Persian Lamb coat, and probably she wants it to be a bargain. A friend of a friend knows a fine wholesale house, no doubt, where they sell a few selected retail customers at wholesale prices. (The industry has more than its share of these, and many of them extremely reliable too—as a matter of fact the president of the wholesalers association is a retailer.) If she is lucky the lady will get a real bargain. On the other hand she may listen to the wholesaler while he tells her he will charge her the same price he charges Macy, and she may walk off with a coat for which she paid some \$25 or \$50 more than Macy did.

Retailers are strongly opposed to this practice, but the fact that it's a profit-

able business to do away with that when it's a retailer that away unless ing, many a rather lose his profitab

Questions

Possibly, prospect bu across a ne "Sale of Fu \$100-\$200" think on v supposed to Does she discover th few in num reaches the been gobble the saleslad a high-price see whether have slipped on the rac without sa Does she coat wheth blended, or model? Probably practices w consumers, want to se posed for ference in true name last word "Hudson" ther, they practices su marks; mis of origin; vertisement blended or as new; se such as pa ing; the d by falsely able condu invoices; cost selling

Consumer

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able business, and one that will be hard to do away with is shown by the fact that when it comes to a showdown and a retailer threatens to take his business away unless the wholesaler quits retailing, many a wholesaler admits he would rather lose a few such accounts than his profitable retail sucker trade.

Questions for Purchaser

Possibly, though, the lady fur-coat prospect buys retail. She will come across a newspaper ad on this order: "Sale of Furs—\$45. Made to sell for \$100-\$200". Does the lady stop to think on whose word the furs were supposed to be sold for \$100-\$200? Does she read the ad carefully and discover that the furs on sale are so few in number that by the time she reaches the store the bait will have been gobbled up by the early birds, and the saleslady will "switch" her over to a high-priced coat? Does she look to see whether the retailer could possibly have slipped some seal-dyed coney coats on the racks with the Hudson seal without saying anything about it? Does she read on the label on any coat whether it has been pieced, or blended, or that it is possibly a rebuilt model?

Probably not. Yet these are the practices which are irritating the lady consumers, and they are the ones they want to see abolished. The rules proposed for discussion by the FTC conference include one stating that the true name of the fur must be the last word in a description, such as "Hudson Seal-Dyed Muskrat". Further, they would establish as unfair practices such tricks as deceptive trade marks; misrepresenting a fur's country of origin; failure to disclose in advertisements when furs are tipped, blended or dyed; selling rebuilt coats as new; selling coats made of scraps, such as paws or tails, without so stating; the disparagement of competitors by falsely imputing to them dishonorable conduct; placing false records on invoices; price discrimination; below-cost selling; rebates and allowances.

Consumers Favor Labeling

What practices the rules will cover when finally promulgated are still doubtful, but the lady consumers are ready to ask for a complete labeling job from trapper to retailer, with all information tagged. Retailers are willing to go along with consumers. Manufacturers, for their part, demand that memorandum selling, unentitled discounts, and returns by retailers be the first things to be cleaned up. However the rules finally emerge from the FTC, it's more than likely that the industry itself will have to set up the machinery to make them work. And the lawyers are getting ready for more business.

INSTEAD OF *Writing* GUARANTEES



WE BUILD THEM

Once in a while a prospective buyer asks us what guarantee goes with a Warner & Swasey Turret Lathe. The answer is—we never consider any sale complete until the buyer is making a profit on his Warner & Swasey investment.

Warner & Swasey Turret Lathes earn an average net profit of 20% for their users, often increase production 30% and cut costs 50%. Whether or not a Warner & Swasey would do as much or more in your particular plant is something we can tell

you before you invest a penny.

For 57 years Warner & Swasey has been building for industry a machine (and a reputation behind it) that produce their own guarantees, in predetermined results, in your production line.

**WARNER
&
SWASEY**
Turret Lathes
Cleveland

What to Do About Dress Returns?

One manufacturers' group threatens members who make secret deals with retailers. Some relief is hoped for through an FTC code.

ONE of the sharpest thorns in the side of the apparel industries has long been retailers' returns—an old custom whereby any merchandise that isn't sold is dumped back into the lap of the manufacturer from whom it was bought, with some such excuse as that of bad workmanship. Though it's an old thorn, its point hasn't worn off, and, with the fall season just ended a particularly slack one, it's begun to prick again—especially in the dress industry. There, it is estimated, the returns often come to \$30,000,000, or about 10% of the total volume, and this year they're going to be higher still. Hence, dress manufacturers squared off again last week in another effort to bring the situation under control.

A Buyers' Market

The dress industry—in common with all garment industries which have the identical situation as to unit production, style turnover, and style and size assortment—finds itself involved in the old vicious circle. The industry consists of a number of small specialized production units, the result of which is a buyers' market. Retailers buy up large stocks, which, by the law of averages, they can't sell out 100%. And so the retailer finds it fairly simple to avoid taking losses himself by forcing the manufacturer to take back the unsold merchandise. The manufacturer then must sell it at distress prices. The more distress merchandise on the market, the less chance there is for better distribution of new models, and the more returns there are from retailers.

The cure? Possibly there's none at all. Returns can't be cut out altogether, since many of them are completely justified—about 3 or 4% of them could be called justified, according to manufacturers. But this year, with returns mounting up to 10 or 15%, the industry has broken out again with a rash of possible remedies.

Control Bureau Set Up

Dress manufacturers are represented by three trade associations—Popular Priced Dress Manufacturers Group, which includes those manufacturers selling under \$4.75; National Dress Manufacturers Association, the medium group, and Affiliated Dress Manufacturers, representing higher-price manufacturers. Most concerned over returns is Popular, which asserts that its production is nearly half the total for the entire market. Last year, Popular set up a Dress Returns Control Bureau to tackle the prob-

lem. Organized as an unlimited voluntary association, the bureau checked up on flagrant returners, and managed to face many of them with the evidence and force them to take back unjustified returns.

Naturally, however, the control bureau couldn't get very far with large retailers, chain and department stores, and resident buyers' offices, for they found it easy to coerce manufacturers into secrecy, or they exchanged the goods they returned for new models. But during the first nine months of the year, the bureau met with some measure of success.

Trade Conditions Hit Bureau

Then, in October and November, at a time when consumer resistance mounted high, returns began to flood in and the bureau found its work washed up in the general demoralization of the whole market.

To give the bureau a set of teeth, and try to stall off another such completely hopeless situation, Popular last week announced it would penalize any members making secret deals with retailers, or otherwise violating Popular's fair trade rules, by fining them, and, on continued violations, tossing them out

of the association. And though these threats were teeth, the trade still knew they'd be largely ineffectual.

Now awaiting some measure of relief through the Federal Trade Commission's stipulation of a code of fair trade practice provisions, promised for this month, Popular is mulling over the problem whether the Robinson-Patman Act might have the power to control unjustified returns, as a form of price discrimination.

And it's Popular's belief that if this low end of the industry can get a slight measure of stability, the higher-priced groups can step in with an integrated and effective industry-wide program.

Suggests Joint Board

That program has been suggested by Mortimer Lanzit, executive director of the National Dress Manufacturers Association. A Joint Board of Control, he says, made up of 12 members of the industry, might be set up and empowered by the several associations to audit manufacturers' books, and discover the amount of consignment selling that was being carried on, as well as the number of unjustified returns. Such a board might apply the provisions of the R-P Act against manufacturer and retailer violators. It might attempt to eliminate the causes of justified returns. And it might negotiate with the union, which has as much stake in a prosperous industry as the manufacturer, and solicit their aid in maintaining fair trade standards.

MARKETING ANGLES

A State Consumer's Bureau, the first of its kind in the country, has been set up in Michigan by Governor Frank Murphy, as a division of the State Bureau of Agriculture. Located in Detroit, and scheduled to start functioning on Jan. 1, the bureau will furnish consumers with specifications on any article they contemplate buying, to protect them against inferior merchandise. It also plans to tackle standardization of consumer goods and to attempt to increase the factual information on labels and in advertising. The bureau disclaims any connection "with any of the movements which are trying to commercialize consumers' service," states that it won't advise for or against particular brands, but will simply provide specifications.

* * *

Esquire-Coronet, Inc., with its new \$2.50 art quarterly, *Verve*, out on the stands, is turning its attention to its next infant, *Ken*. *Ken* will hit the stands at the end of March, sell for 25c a copy, appear every other week. Advertising rates for the first nine months will be \$900 a page, black and white, \$1300 for color, with a guaranteed circulation of 250,000. The print order for the first issue is to be 500,000, with news stand orders already in hand reported at 200,000. This week

Ken's first flamboyant promotion piece, a book about the size of a family album, took 110 pages to say that *Ken* would be radically different in typography and layout, that its writing would be couched in a completely new form, that it would have the flash appeal of the picture magazines, the topicality of the news magazines, the lasting value of the general magazines, and that it would give its readers the "inside" on everything on earth.

* * *

Evidence that the boycott of Japanese goods is gaining headway is found in the announcement that where there were only five manufacturers making lisle hosiery six weeks ago, the number has risen to fifty-five by now, with retailers' demands for lisle increasing. An exhibit of cottons which was held at the Waldorf-Astoria Hotel in New York last week featured lisle hosiery in Chinese red and green colors for next spring.

* * *

The Association of National Advertisers, Inc., in a poll of some 150 leading national advertisers, a representative cross-section of the country's leading manufacturers, found that in spite of the talk about budgets shrinking all around, 77% plan at present to spend as much or more for advertising in 1938 as they did in 1937.

HELP!



Power transmission drives break down too. Better be sure there's plenty of reliability built into yours!



Modern roller chain is so economical, so long lived and so positive that it is steadily replacing other less satisfactory methods.

Baldwin-

Arrange Radio Pact

Division of broadcasting channels between North American countries is concluded at Havana.

AFTER seven weeks of involved technical deliberation and delicate diplomacy, the Inter-American Radio Conference concluded its work in Havana last week with negotiation of the first radio treaty covering the North American continent. Previous agreements had covered only a division of broadcasting channels between the United States and Canada. The inclusion of Mexico, Haiti, the Dominican Republic, and Cuba in the new treaty is expected to end the troublesome interference with broadcasting in the two Northern countries which has been caused by the high-powered "outlaw" border stations—notably those on the south side of the Rio Grande. It will also make it possible for the North American countries to present a solid front at the world allocation conference in Cairo next February.

The Conference's Job

The problem before the Havana conference was one of divvying up the 106 channels (each 10 kilocycles wide) which can be accommodated in the standard broadcasting band, ranging from 550 kc. to 1,600 kc. The problem is complicated by the fact that no two stations can operate on the same channel unless there is an adequate mileage separation between them—and the greater the power of the stations, the greater the mileage separations must be. It was further confused at Havana by the need for a solution which would involve the fewest number of shifts in existing station assignments.

Of the 106 channels, the conference designated 59 as "clear channels"—meaning those on which "the dominant station or stations render service over wide areas and which are cleared of objectional interference within their primary service areas and over all or a substantial portion of their secondary areas."

Designate Clear Channel Group

By specifying the use of directional antennas and by limiting the power for various stations, the conference found it was possible to accommodate 105 stations in the clear channel group, divided up among the various nations on the following basis:

United States	63
Canada and Newfoundland....	16
Mexico	15
Cuba	9
Dominican Republic.....	1
Haiti	1

To provide facilities for these 105 stations, it was necessary to provide for

COMING!



There are many types and sizes of Baldwin-Duckworth roller chain. One of them is best for each speed, load and temperature condition. We urge specific analysis and recommendations for every job, for it's the one best way to give the buyer the lowest cost and the most reliability for his money.

Send out your "S. O. S." It will bring a Baldwin-Duckworth engineer—on the run. Baldwin-Duckworth Chain Corporation, Springfield, Mass., U. S. A.

Duckworth

duplication of facilities on 21 of the 59 clear channels, but 38 were preserved unbroken for use of stations with a minimum of 50,000 watts power and no maximum. Of these 38 channels, 25 were awarded to the United States, 6 each to Canada and Mexico, and 1 to Cuba.

After setting aside the clear channels, 41 of the 47 remaining frequencies were designated as "regional channels"—those on which "several stations may operate with powers not in excess of 5 kw. (5,000 watts). The primary service area of a station operating on any such channel may be limited, as a consequence of interference, to a given field intensity contour."

No Fourth Chain Yet

Transamerican Broadcasting, once billed as the next national network, appears to have settled down to service functions. But it still has big potentialities.

IN a sedate trade-paper announcement a fortnight ago the Crosley Radio Corp. informed the trade that Transamerican Broadcasting & Television Corp. would henceforth be exclusive national representative for Cincinnati stations WLW and WSAI.

This was no news to the trade, which knew that Transamerican had, in effect, been exclusive representative for WLW for some little time already. But the ways of Transamerican have always been cloaked in mystery, and even the ad Transamerican took the trouble to run sometime last year in *Variety*, headed "There's No Mystery About Transamerican," did not dispel it.

Set up back in July, 1936, 65% controlled by Warner Bros., 35% by John Clark, who left WLW to become Transamerican's general manager, the organization is as unique in the radio

The remaining six channels were set aside for the use of local stations.

The American delegation of engineers and diplomats, headed by Commander T. A. M. Craven, formerly chief engineer and now a member of the Federal Communications Commission, plans to press for immediate ratification of the pact by the Senate. After that, will come the readjustment in present assignments occasioned by the new treaty. Or, now that continental limitations are established, the FCC may tackle the problem on a somewhat more ambitious scale and call for a radical re-deal of American facilities in line with the reallocation proposals on which it held hearings last year.

field as it is secretive. Originally it was assumed that Transamerican's aim was to become a new national network. Using WLW, the only American super-power station, as a center of operation, Transamerican would try gradually to absorb the whole Mutual Broadcasting System, with which WLW is affiliated, and become a star of first magnitude in the radio firmament. Indeed, not a star but a whole constellation, for, thanks to its Warner Brothers connection, it would have at its fingertips all the talent and music it would need. That's how the rumors went at the time.

"WLW Line" Organized

But Transamerican's plans developed slowly. When, early this year, WLW made a deal with WHN, the New York station controlled by Loew movie interests, whereby they would exchange sustaining programs, and WHN would become the exclusive originating studio for WLW in New York, it looked like the beginning of the Transamerican network. The addition of WFIL in Philadelphia and KQV in Pittsburgh completed the "chain" which was known as the "WLW line." The WHN deal furnished WLW with an outlet in New York which advertisers there could use to get their programs into the Cincinnati market, and supervise them in New York.

But as yet Transamerican hasn't swung into any of the tremendous things that were expected of it. The "WLW line" still exists, with the same basic stations, and some 120 affiliated stations connected with it sporadically—making it a flexible network. Its future is not so plain to foretell. WFIL in Philadelphia, for example, is reported to be so confused by its multifari-

ous chain affiliations (NBC Blue, Mutual, and Quaker State in addition to Transamerican) that it is thinking of getting out of the WLW line. Stations west of WLW in Cincinnati, were recently found to be using the sustaining program service so rarely that it wasn't economically sound for Transamerican to keep permanent lines open to them, and the circuit was revised on an hourly basis.

Picture Seems to Be Changing

Even WLW is reported skittish about chances for a fourth big network, and it's warming up again to the Mutual system, which it helped to found a couple of years back but which it pulled out of—at least so far as sharing in operating expenses was concerned—a year or so ago. It was then that WLW cottoned to the fourth chain idea. During part of last summer WLW was so busy with Transamerican material it was hard for the Mutual System, with which it has remained nominally affiliated, to book time. Now the picture seems to be changing again.

Currently Transamerican regards itself as essentially a sales organization, with two principal functions—the sale of time on stations with which it has agreements, or on regional networks, as the case may be—and the creation and selling of programs outright.

As a matter of fact there are few services in the broadcasting field which Transamerican wouldn't be able to perform. It acts as a network, a station representative and an advertising agency now—suggesting stations to a client, booking time, handling billing, creating program ideas, producing them—live or in transcription. Chase & Sanborn's show last year, "Do You Want To Be An Actor?" was a Transamerican show. The new Lucky Strike-Warner Bros. show this fall is another.

Rich in Potentialities

Where Transamerican will head next is anybody's guess. It can still become almost anything at all, considering that it has access through its WHN tie-up to the Loew-Metro-Goldwyn-Mayer interest, including film talent and music publishing houses, and through Warner Bros. to the Warner holdings, and that Waddill Catchings, Warner Bros. director, controls Associated Music Publishers, Inc., and numerous television patents.

Last week, incidentally, Warner Bros. acquired from the Catchings interests control of Muzak, which furnishes music by wire to hotels and restaurants, and which they plan to develop and popularize throughout the country. Along with the recent work which the Warner interests have been doing on the recording of radio programs on film, trade observers figured this might be the start of wired television.

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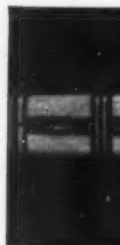
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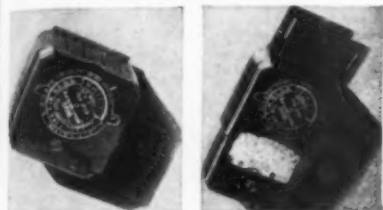
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New Products—New processes, new designs; new applications of old materials and ideas.

WHEN not extended for taking light readings, a hood slips snugly over the new G.E. photographic photo-electric exposure meter, protecting its face and light-sensitive cell. Extended, the hood limits errors by holding the angle of light received to approximately that of a camera. General Electric Co., Schenectady, N. Y., also provides a hinged,

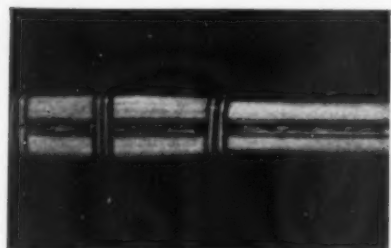


Business Week

slotted door in the end of the hood. Opening the door increases sensitivity of the instrument by 10 to 1 for readings under low illumination. Removal of the hood itself transforms the instrument into a light meter for checking home and business illumination. An inbuilt calculator translates foot-candles into shutter speeds for any film and lens aperture.

FROM Musto-Keenan Co., 1801 S. Soto St., Los Angeles, are coming "Felker Di-Met" circular cutting blades which will cleanly cut the most brittle substances, such as porcelains and plastics and optical glass. A thin-walled Pyrex globe 4 in. in diameter can be cut in halves. Explanation is that diamonds are embedded by a new process in the periphery of the 6-in. and 8-in. diameter metal blades. A portable $\frac{1}{4}$ -hp. motor furnishes power enough for clean cuts through 1-in. plate glass.

TENNIS players who play a hard driving game and thus require a lot of restringing will be interested in how Ken-Wel Sporting Goods Co., Utica, N. Y., licks



Bakelite Corp.

two problems with one change in racket design. Significant feature is a Bakelite laminated strip securely positioned in a channel running around the frame of the new Ken-Wel "Duracket," which strengthens the frame and tough-

ens string holes to permit tighter stringing without cutting and consequent splitting.

THERE is no trigger on the new "Elgin" pneumatic hammer now being put on the market by Borm Mfg. Co., Elgin, Ill. Push the hammer against the work and away it goes. The largest of three models will handle 1 $\frac{3}{4}$ -in. star drills. Added feature is a tool holder which locks tools in position, eliminating any necessity of holding drills in position manually.

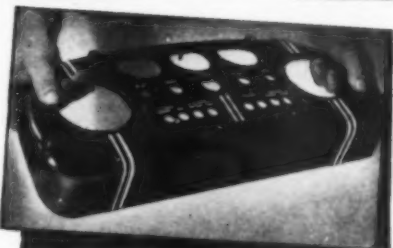
THERE have been display signs composed of magnetized letters, and bulletin boards with felt-lined slots to receive plastic letters. Now come "Spell-O-Tex" illuminated displays with vacuum letters and figures which cling like leeches to glass panels until time



Business Week

comes for change or correction. Beebe Products Corp., Trenton, N. J., makes them in round, oblong, and polygon shapes, complete with holders, reflectors, and electrical units ready for quick plugging. Electrical unit includes a flasher mechanism which will also synchronize and even syncopate the lighting of two or more units.

DESIGNERS of the new "Zephyr" electric shaver have sidestepped several complications by mounting its cutting head directly on the end of, and in line with, the shaft of the motor. Thus the little device, manufactured by Zephyr Shaver Corp., 92 Gold St., New York, is held to the face in the manner of an old-fashioned straight-edge razor. Rotary motion of the cutting head permits right- or left-handed shaving, against the grain as well as with it.



LATEST models of a famous bus have a smart new dashboard of grey Durez. It weighs less than the lightest of metal panels, is just as durable, has all the strength necessary.



AMAZING as it may seem, this refrigerator latch (made of a special Durez molding compound) is actually more resistant to abrasion than a metal latch. This special material is just one of the many Durez compounds created for a specific job.



SPOTLIGHTING their new tableware design with a midget Durez display, International Silver Co. finds it gets front counter showing, attracts plenty of attention. Another sample of clever exploitation of Durez design possibilities and sleek finish.



SALES-BUILDING premium *de luxe* is the Micro-Lite flashlight pistol. Like all Durez parts it is produced in a single operation, comes out of the molding press complete even to the final lustrous surface.

Durez, the phenolic resin compound, offers design, production and sales advantages unequalled by conventional materials. For further information and suggestions, write General Plastics Inc., 1112 E. Walck Road, North Tonawanda, New York.

DUREZ PLASTICS

Canadian Provinces

Talk is revived of consolidating some of them, for the sake of economy.

OTTAWA (*Business Week Bureau*)—Talk has been revived in Canada of the possibility of economizing on taxes by consolidation of some of the provinces.

The scheme has been revived as a result of the investigations of the Rowell Royal Commission which started a survey three weeks ago of both the economic and political relations of the provinces. Relief, public works programs, federal responsibility for provincial finances—these are the problems which caused the Ottawa government to set up a commission to make a special study of current conditions.

Old Idea Is Revived

The investigation started in Winnipeg, Man., with representatives from the province, the city, and business clamoring to place their criticisms and proposals before the commission. It was in these first sessions that the old, old idea of consolidation was revived; as soon as the news was broadcast, an entirely new project developed—close cooperation between the provinces of Ontario and Quebec.

A scheme for consolidating the governments of the three thinly populated prairie provinces—Manitoba, Saskatchewan, and Alberta—blossoms perennially in the Dominion. They raise the same crops; their climate is similar; they prosper or suffer together according to the market for their farm products—importantly wheat. Back in the 1890's a battle to have one province on the prairies instead of three was fought and lost. At every period of hard times since, the idea has reappeared.

Common Interests Favor Union

Since the political and economic interests of three provinces are identical, it is argued by proponents of the plan that one lieutenant-governor, one ministry, one legislature, and one civil service organization could administer the public affairs of the entire region where three of each are now maintained. The question of union will figure in the recommendations of the Rowell Commission.

When the commission reaches the East, a similar question with regard to the Maritime Provinces will come before it. It is already being discussed by students of maritime economics. As in the West, the idea is not new. The provinces of Nova Scotia, New Brunswick, and Prince Edward Island have little more population than Montreal. Administration of all of their provincial affairs jointly should present few difficulties. Resistance will come from a carryover of the old feeling in the Mari-

Will Canada's Provinces Consolidate?



CANADA'S provinces have from time to time considered regrouping themselves into fewer larger units for the sake of governmental economies and more effective provincial planning. The map shows the natural regions into which the country falls, and the divisions into which a Royal Commission may soon recommend that they be divided. The map does not show the mass of Arctic islands which

are really a part of the Northwest Territories, which are governed by Ottawa appointees. Area and population of the proposed groupings are compared:

Provinces	Sq. Miles	Population
British Columbia and Yukon	573,331	755,000
Prairie Provinces	753,497	2,434,000
Ontario	412,582	3,711,000
Quebec	594,534	3,135,000
Maritimes	51,237	1,075,000
Northwest Territories	1,309,682	9,723

times that they have never been adequately compensated for the sacrifices they made in throwing in their lot with the Dominion 70 years ago.

It is the possible threat of provincial consolidations, particularly of the prairie provinces, that has led to the second major development—the growing cooperation between Ontario and Quebec. These two provinces include 7,000,000 of the Dominion's 11,000,000 people, and the bulk of its wealth and industry, and they contribute the major share of the federal revenue. They say now that they are tired of being the uncomplaining milk-cow for the provinces to the East and West, and are preparing to resist any move to provide fresh federal financial assistance to the other provinces in the form of cash subsidies, freight rate subsidies, loans to meet indebtedness, and relief loans.

Ontario-Quebec "Axis"

Ontario and Quebec are drawing together frankly for the purpose of safeguarding their interests in face of new demands from the Western provinces for further federal assistance. Outspoken Premier Mitchell Hepburn of Ontario, pointing to the Manitoba government's plea for more help from Ottawa as an alternative to default on provincial debt, has retorted by arranging a conference with Premier Duplessis of Quebec, to defeat the request.

The union of British Columbia and the Yukon has been under open discussion for several months.

Outcome of the various schemes will not be known for some time, but as long as the Rowell commission's work is under way they will be a topic of major discussion because they, more certainly than any other project, will figure in the final report on the relations of the provinces.

Kennedy's Ships

Government designs cargo vessels to show ship lines what it thinks they need.

WASHINGTON (*Business Week Bureau*)—Cargo shipping, poor but proud, wouldn't take the government's construction subsidy money on sales talk and blue prints, so now the Maritime Commission will offer the operators a dozen new ships on a platter: Here are the new models, sir; these are steamers and those are diesels.

Operators didn't take the subsidy money because they didn't have the down-payments on their share of the cost; because they didn't like the gleam in labor's eye; because, some declared, Joseph P. Kennedy, chairman of the commission, tried to rush them into a burdensome, over-capitalized reor-

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ganization; and lastly, because they didn't like the restrictions tied to the subsidy by the shipping act which created the Maritime Commission and replaced the ocean-mail contract system with direct government aid based on domestic-foreign cost differentials.

Now the law is being revised, removing many restrictions, reducing the operators' share of the cost (*BW*—Nov-13'37, p17). With a more favorable law on the books, the Commission will wait a while to see if the foreign route operators can be enticed by the sight of spanking new boats on the ways. Then there's the other possibility of subsidizing part of the intercoastal service to step new construction up to navy speed, with suitable defense characteristics. Domestic operators right now are not at all displeased with the idea, as intercoastal water-borne commerce is still less than 1% of the total. Failing that, a straight course is laid toward government ownership of the merchant marine, with semi-navy personnel, which can't strike, to man it.

The Fundamental Problem

It all simmers down to this: the merchant marine is a necessary, important part of the navy; the government is trying to make that section of the navy pay part of its own way in peace-time; but, because American standards are higher than those of other countries, it's a tough job.

The 12 new cargo vessels on which the Maritime Commission wants bids will have a speed of 15½ knots which will make them 50% faster than the majority of American merchant vessels of this type now in service. They will be built to a standard design adaptable for operation on practically any ocean route. If they are not disposed of privately before completion, they may be used for replacements on the Government-owned steamship lines. According to unofficial estimates, the 12 vessels will cost between \$18,000,000 and \$23,000,000. Four of them will be steam-propelled and four diesel-propelled, while the type of propulsion of the remaining four will be decided after an examination of the bids. They must be completed within 420 days.

Design for New Ships

The Commission's design calls for a vessel 435 ft. long, 63 ft. in breadth, with a load draft of 25½ ft., a displacement of 13,900 tons, a dead weight of 9,291 tons, and a cruising radius of 13,000 miles. It will carry a crew of 42. Original plans for passenger accommodations have been eliminated.

The design for the vessel, known as the C-2, is the first of the standardized plans for several types of ocean-going cargo and combination passenger and cargo vessels which are being developed by the Commission.



The hands of a golfer as they work together in gripping a club

MATCHED PAIR

PROBABLY a person's two hands suggest "Matched Pair" as aptly as anything we could ever think of. To illustrate a point, we want to rename them. We'll call one hand an Otis Elevator and the other hand Otis Maintenance.

People usually see only one member of this team—the elevator. But they *feel* the difference in the *quality of service* an Otis-maintained elevator gives. They may not always know *why*, but they instinctively know *when* they're getting good service.

If you have an Otis Elevator, you'll see the logic of teaming Otis Maintenance with that elevator. Your Otis office is ready to show you how this combination means elevator economy, as well as better service. Otis Elevator Company.

OTIS MAINTENANCE *and you can forget your elevators*

Distillery Expands

Hiram Walker, of Canada, is constructing a \$2,500,000 building in Scotland.

OTTAWA (*Business Week Bureau*)—Determined to extend its already prominent position in the United States whisky trade and also to invade the British market, the big Canadian firm of Hiram Walker-Gooderham & Worts Ltd. is building a 2,500,000 imperial-gallon grain distillery at Dumbarton, Scotland, which will be finished in a few months at a cost of about \$2,500,000. Recent indications of a strong trend in United States consumer taste toward Scotch whisky (*BW—Dec 4 '37, p17*) is an important influencing factor in this expansion. It is estimated that about 80% of the increase in whisky consumption in the United States for the first three quarters of 1937 was in Scotch.

The Canadian company now owns two malt whisky distilleries in Scotland—Glen Burgie and Milton-Duff-Glenlivet—and three blending establishments—Ballantine & Sons, James & George Stodart, and Stirling Bonding Co.—all in Glasgow. It will thus be in a position to conduct all processes in the production of Scotch. The business in Great Britain is conducted by

Hiram Walker & Sons (Scotland) Ltd., entirely owned by the parent firm.

Last month the company floated the first offering of industrial securities by a Canadian firm on the London market for a number of years, the \$5,000,000 issue being over-subscribed several times.

It plans to bid for a share of the British whisky market when its stocks become sufficiently aged.

The company continues to enlarge its United States plant at Peoria, Ill., contracts having been let for its tenth storage warehouse which will bring its storage capacity to 846,000 bbl.

In Canada the firm operates distilleries at Toronto and Walkerville, Ont.

Rap B.C. Oil Prices

Gasoline too high, fuel oil too low, says British Columbia special commission.

THREE years ago British Columbia's government yielded to repeated protest against the high costs of coal and gasoline, and appointed a commission to find out if the complaints were justified.

The commission, headed by Judge M. A. Macdonald, made an exhaustive investigation which, incidentally, cost more than \$100,000. It heard wit-

nesses representing the coal companies and the oil distributors and other interests concerned. This week the commission issued its report, a bulky document dealing with almost every phase of the subject investigated. But those who had expected whitewash were surprised by its drastic recommendations.

The commission found that British Columbians have been paying far too much for their coal and gasoline. Eighteen cents a gallon was given as a fair price for gasoline in Vancouver. The current price is 28¢.

Oil Supplants Coal

British Columbia coal mines once sold their product from Mexico to Alaska. Coal was the basis for the first mining industry in the province, even in the days of Hudson's Bay Company domination. But for several years the coal trade has languished, and the coal operators contend that competition of foreign fuel oil, mostly from the United States, has been basically responsible. Oil has supplanted coal as fuel in ships that used to do all their bunkering at Nanaimo, Comox, and other British Columbia coal ports; it has been widely adopted by office buildings, hotels, and private dwellings in B.C. cities.

The Macdonald report revealed that one important reason for fuel oil's ascendancy in British Columbia has been a policy on the part of the oil companies to make gasoline "pay the freight." In the words of the report, "heavy fuel oil is sold in British Columbia at uneconomic prices, and does not carry its own fair load of costs. These costs are unjustifiably shifted to gasoline. Consumers of gasoline have for many years been paying excessive prices for gasoline to enable oil companies to sell heavy fuel oil at a loss. Gasoline users have therefore been paying in effect a bonus to heavy fuel oil users, not to benefit, but to impair the local coal industry."

Explaining an Anomaly

After reading this, critics of the oil companies said they realized why British Columbia alone consumed more fuel oil than the whole of Australia, three and a half times as much as Belgium, and one-third as much as Italy, with 70 times the population.

Just what the outcome of these revelations will be has yet to be determined, but repercussions may be felt throughout Canada and in the Northwest states. The provincial government is not expected to take action at the present session of the legislature, but when the province names a public utilities commission, regulation of gas and oil will probably be included in its scope, along with such monopolies as electric power, gas, street railways, and telephone services.



The owner of a large factory building was alarmed by the manner in which the walls of the building were "weathering." He said: "See if Koppers makes anything for this."

Koppers technical men prescribed a treatment with a tar-base material which prolonged the life of the building at least ten years.

When you have an industrial problem, see if Koppers makes something for it.

KOPPERS COMPANY, PITTSBURGH

Boiler and Power Plants... Castings... Coal and Coke... Coal Cleaning Plants... Coke and Gas Plants... Creosote... Dehydration Plants... DHS Bronze... Fast's Couplings... Fire Hydrants... Industrial Chemicals... Municipal Incinerators... Piston Rings... Plate Work, Tanks... Purification Systems... Recovery Plants... Sewage Disposal Equipment... Ships and Barges... Roofing... Tarmac Road Tars... Tar Products... Treated Timber... Water Gas Generators... Waterproofing... Valves

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Business Abroad

Japan outlines economic development of North China under South Manchuria Railway authority. Christmas trade booms in Germany as hoarding is resumed. Britain plans stiffer Far East policy in deal with France to handle the Mediterranean.

WORLD business is ending the year in a slightly happier frame of mind than was expected a month ago. Christmas buying was much greater than had been generally anticipated, though luxury lines suffered in comparison with last year. Prices in the raw materials steadied, and there was a revived interest in new stocks. Volume of the major stock exchanges was no greater than in any holiday season, but prices firmed and the outlook was good. Foreign exchanges are relatively steady, and the foreign trade outlook moderately good. Most uncertain factor in the year-end picture is the international political situation which is stormy in the Orient, and threatening in Europe.

Until authority is reestablished in Japan, the tension in the Far East will continue. The firm demands from Washington have sobered even the radicals in Tokyo, and the mounting protests from Nipponese business leaders over the moves which have provoked a fresh wave of anti-Japanese sentiment in every major world market has had its influence in Tokyo military circles. Stiffening of the British attitude in relation to the Far East is evident in the new project under negotiation with France whereby French troops and warships will replace British in the Mediterranean if London decides suddenly to shift additional forces to Singapore. It follows on the heels of the new firm demands on Tokyo from Washington. Moscow is reported to be sending supplies to the defeated Chinese by way of Sinkiang, a route which Japan is not likely soon to be able to blockade. These, with the British support through Hong Kong, and the French through Indo China, will provide the backbone for persistent Chinese resistance to Japan, particularly as Nipponese forces work their way further into the interior.

Washington ruled this week that the Brazilian milreis would be assigned fluctuating values from day to day for computation of import duties. The current rate is about \$0.0547.

While the outlook for next year is no longer gloomy, business in most countries will register mild losses in January, which may continue through the first quarter, but if the turn is called in the United States, and large scale buying of raw materials is resumed, there will be no recession abroad comparable to the slump of the last six months in the United States.

Canada

Business is steady at recent high levels. Exports begin to reflect smaller foreign buying.

OTTAWA—The Christmas season is passing without any marked trend in Canadian business. Some indicators are slightly favorable, others slightly the

showed a gain in primary load of 7.7% for November. The business index of the *Toronto Financial Post* rose to 126.4 in November, compared with 124.3 in October.

Radio set sales by producers for the third quarter of 1937 totalled 91,949, valued at \$8,306,000, this being the largest business since 1931. Factory output was up 8% in volume.

Decline in automobile production for November is now shown in official figures. The month's output was 6,574 units, compared with 8,103 for October, and 10,812 for November, 1936. For the 11 months, however, a total of 186,348 units represented a gain of 31% over the like period of last year.

Curtailed buying by foreign customers is reflected in Canadian exports and its effect is working back into production and trade. But Trade Minister Euler forecasts a total export business of \$1,000,000,000 for the year, keeping Canada in fourth place among exporting nations.

Some railway improvement is noted. The Canadian National deficit, payable by the public treasury, will be cut about \$3,000,000 from last year, bringing it to \$40,000,000. Canadian Pacific share earnings will show a large increase over 1936.

Pig iron production in November was the highest since January, 1930; at 81,463 tons, it compared with 80,-

Nazi Christmas Show in New York Draws Protests

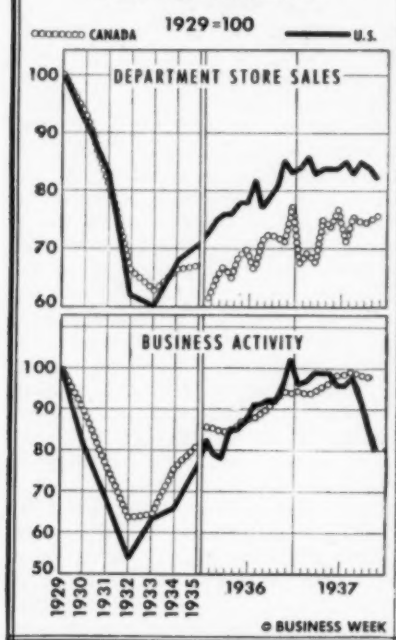


European

THE third annual German Exposition and Christmas market ended a stormy existence this Friday at Grand Central Palace in New York City. The exposition, sponsored by the German-American Business League, Inc., of which Fritz Kuhn, leader of the American Nazis, is the chairman, had as its purpose the promotion of trade relations between the United States and Germany—but nine

days of the exposition served to emphasize the growing anti-Nazi bloc in this country. Outside the building, pickets of the Non-Sectarian Anti-Nazi League patrolled daily, exhorting passing crowds to boycott the exposition. Inside the building, tenants circulated petitions "protesting the display of the huge swastika flag streaming outside the front of this building alongside of our American flag."

HAS OUR RECESSION HIT CANADA?



992 for October and 74,334 for November, 1936. Steel ingots and castings were off slightly from October well ahead of November, 1936.

British cottons are steadily improving their position in the Canadian market under the imperial preference pact. From 1932, they have advanced from 11% to 23% of Canadian consumption in the case of cotton cloth, and correspondingly in yarns.

France

Outlook for 1938 is fair; fundamental readjustment has only started. Paris plans close defense cooperation with London.

PARIS (*Wireless*)—French business conditions have changed little this week, and the outlook continues to be good for finance, but not bright for industry.

Gold continues to return to France. The budget has been voted by the Chamber, and is not expected to be greatly changed by the Senate. New decree laws are expected soon to alleviate the 40-hour law for those industries which have found it most difficult to operate successfully under its restrictions. But the fundamental economic position of the country is not good. Paul Reynaud warned of this when he declared this week that Finance Minister Bonnet's estimates of the amount of new borrowing the treasury would be required to do next year were grossly underestimated. Bonnet claimed the

government would scrape along on 27,000,000,000 of fresh capital, whereas Reynaud claimed that at least 46,000,000,000 would be needed.

International tensions came into the limelight again this week when it was revealed that negotiations are under way between England and France which will provide that if English forces must be withdrawn from the Mediterranean for service in the Orient, they will immediately be replaced with French. This indicates the decree of cooperation which is developing between Paris and London in the face of the threats from the totalitarian bloc—Japan, Germany, and Italy.

Germany

Public again hoards textiles. New consolidation loan brings total public financing since 1935 to 8,000,000,000 marks.

BERLIN (*Cable*)—Christmas trade was given an unexpected boost during the last 10 shopping days by the sudden new wave of hoarding of goods, particularly textiles. The recent deterioration of quality of some materials is what started the buying rush. Evidently the proportion of synthetic materials used in the making of new materials is growing.

Berlin executives look forward to 1938 with mixed feelings. Interna-

tional complications are generally feared, and internal pressure to push the self-sufficiency program is upsetting the plans of many producers. Evidently industry is finding it more difficult to uncover enough skilled workers to rush the program than to find the capital, which is provided or uncovered by governmental decree. Raw materials are a little more plentiful now.

The government continues to finance its program through fresh public borrowing. A new consolidation loan of one billion marks, so far the largest individual issue, has just been announced, bringing the total of refinancing since 1935 to eight billion marks. Floating is expected to go through without a hitch since satisfactory increases in deposits during the last year will make it possible to dispose of the bulk of the issue to savings banks. Nevertheless, short-term debts continue to pile up, leaving the main problem of financing Nazi prosperity unsolved.

Great Britain

Stock market is more cheerful, but building slump is evident. Steel price policy worries ship-builders.

LONDON (*Cable*)—The Christmas spirit is affecting even hard bitten stock brokers. There is a distinctly more cheerful atmosphere in the City, but

New Apartment Sets Pace in Belgian Housing



STRANGE to an American would be the boast of a European that he lived in an apartment with a central heating system. Yet comparatively few apartment dwellers in England or on the Continent can make this boast, with the result that the "Residence Leopold" above, a cooperative

apartment house recently completed in Brussels, is looked upon as a real pioneer. The building's fifteen stories typify the trend toward taller buildings in Europe. The central heating system was supplied by the American firm of Warren Webster & Co.

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For 1938

Sir Arthur Salter, British economist, at a recent meeting of the Statistical Society of Manchester, presented to business and political leaders 10 New Year resolutions which will help maintain international peace.

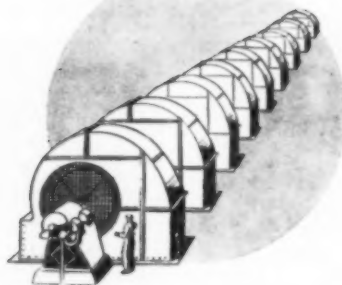
1. Stabilize currencies.
2. Negotiate more bilateral trade agreements.
3. Ease the most-favored-nation practice in the interest of reciprocal trade.
4. Facilitate the sale of colonial raw materials on equal terms to all countries.
5. Make fresh efforts to maintain and extend foreign trade.
6. Enlarge export markets for countries willing to work cooperatively for peace.
7. Extend the "Congo-basin" policy—equal economic opportunity—to all colonies in tropical Africa.
8. Reduce provocative competition involved in state aid in foreign trade.
9. Make the Anglo-American trade agreement both a great success in itself and a nucleus to which other peace-loving countries can adhere.
10. "Let us no longer all try to sell more and buy less."

volume of trading is still small. General impression here is that the population is determined to enjoy the holidays without worrying over business uncertainties or the cloudy international outlook. Business done by popular suppliers is likely to reach a new holiday high, but exclusive London shops are watching sales anxiously.

The building industries present the most unpleasant Christmas news. Building plans approved in November totaled only £7,811,600 against a corresponding total of £9,035,300 last year. Residential building has fallen to £4,898,300 from £6,043,000. This confirms the gloomiest expectations of the industry that not only has the peak been reached in building activity; a serious decline is under way.

The cotton textile industry is placing great hopes in the pending Anglo-United States trade agreement for an expansion of its American market.

The steel outlook is uncertain because of threatened price cutting. The London Midland & Scottish Railway has just announced its 1938 track laying program, which provides for an expenditure of £2,000,000 and an order for 95,000 tons of steel rails, but there are rumors that new shipbuilding orders are being held up because of uncertainty in the price situation. Several important steel producers have threatened to withdraw from the Iron and Steel Federation because of its policy of holding prices at current high



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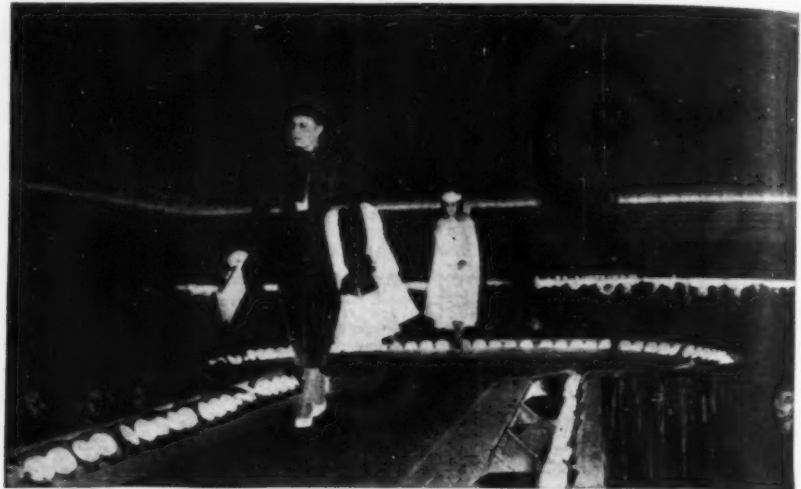
WORLD'S LARGEST MAKERS OF AIR HANDLING AND CONDITIONING EQUIPMENT



Mussolini Tries His Hand at Dictating Styles



ITALY'S latest move to free herself from the yoke of foreign importations takes the form of an exposition featuring Mussolini-indorsed clothes made of synthetic cloth fabricated in Italy.



Wool is made of cow's milk and cotton from wood. The prettiest of Italian mannequins were used in the effort to divert the source of Italian styles from Paris to Rome.

levels. Producers, though still completely occupied, are watching new business carefully because of the threats from shipbuilders that they are losing orders to foreign yards because of fixed high prices for British steel.

Reports have just reached London that Dutch yards have just won contracts for four vessels on which British yards had bid. British builders contend the business was lost because British steel companies are selling abroad at lower prices than at home, and the Dutch yards are benefiting from this policy as well as from the extremely low prices on American steel now. At the same time, British shipyard workers are demanding wage increases.

Far East

Discord in official circles creates business uncertainty. S.M.R. will organize industrial development in North China.

TOKYO—The business outlook is clouded. Few details of the Panay incident are known here, but the conflict of authority in high official circles is known to some business leaders, and is causing them to be more cautious in planning for next year.

There is also a conflict of opinion as to the method for developing the newly conquered regions in China. Plans for the development of the Tientsin-Peking region have been under consideration for a long time, but private business interests are demanding that they be given greater freedom for developing their own projects rather than be forced to subscribe their

capital to new issues of government-controlled companies as in Manchukuo.

Toyotaro Yuki, governor of the Bank of Japan, summarized the sentiment of this group when he declared: "For the development of North China careful measures entirely different from those adopted in Manchukuo should be taken. It is necessary to adopt such measures as attract capital from Japan freely. It would also be necessary to permit the influx of foreign capital." But this sentiment had more support when Tokyo thought that it could force China to capitulate in a few weeks than it does now when Japan is virtually forced to continue its China campaign if it wants to give any security at all to its conquests, and when the Panay incident has precipitated the first strong foreign intervention.

The South Manchuria Railway is generally expected to control the first industrial projects in North China, as it did five years ago in Manchukuo. Plans are already under way to free it of its financial obligations in Manchukuo industries outside its railroad properties so that it can handle these potentially rich new China projects.

Government control over the investment of private capital is implemented by a new law in Japan. Beyond a comparatively low minimum, no new investments are allowed without a government permit, but funds are also to be made available to those companies which cannot alone finance expansion programs which are a part of the national development program.

The law provides that permission must be secured from the government by financial institutions intending to float new securities or extend credits

for the promotion, extension or improvement of industrial facilities, and by companies in designated lines desiring to organize, increase their capital, consolidate or change their purpose. It is another indication of the growing state capitalism in Japan.

Japan is directly affected by the ruling of the Tientsin Peace Maintenance Commission abolishing the old Nanking government's tariffs in that region, and reducing to a minimum the rates on rice, wheat, flour, sugar, tobacco, cement, cereals, galvanized sheets, aquatic and petroleum products.

The Japan Chamber of Commerce and Industry is preparing to submit an opinion on the need for revising the import tariff of Manchukuo to the Manchukuan Affairs Bureau of the Japanese cabinet. The Chamber contends that the duties on daily necessities and machinery should be kept as low as possible.

The Ford Motor Co., of Japan, has resisted fresh efforts made by Japanese groups to buy out the Japanese plant. Failure of the negotiations is blamed on the wide difference between the terms proposed by the Japanese and those demanded by Ford.

Concern over the boycott of Japanese goods abroad is mounting. While Japan is confident of maintaining a large market for its silk, the country is amazed at the report from the United States that 55 manufacturers in the last six weeks have turned to the knitting of lisle hose to replace silk. Manufacturers of cotton socks for men also are beginning to fear that they will soon lose their market in the United States, which, a year ago, took 2,100,000 pairs.

Money

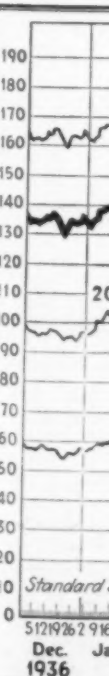
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Money and the Markets

Despite holiday dullness, prices continue their creeping advance. More attention is paid to commodities. Foreign sales of our cotton keep rising, and business loans start going up.

HOLIDAY dullness crept up on most of the securities and commodities markets this week. Yet prices in many directions continued their creeping advance, and there were a few outright spurts such as that in hides Tuesday morning. Sales and switching in stocks to establish tax losses has seemed to make very little impression.

There is, nevertheless, a waiting attitude in all directions. Economists are wary about predicting the turn without more positive symptoms. Business is cautious, marking time until it can generate a bit more confidence. Speculators are sticking to the sidelines until after the turn of the year for the most part. Investors' bargain hunting is small but obstinate.

Commodities Rise Again

Those who are looking to retail trade (and January clearances) to guide them in appraising business prospects are hitting tough going. Retail sales are spotty. The extent to which inventories are being reduced is a moot point. Prices posted for next month's sales will probably provide the first solid evidence. Those who have to buy raw materials or who are inclined to buy securities, are afraid if they wait until January they may miss the boat.

Hence the increasing attention which

is being paid to commodity prices. Persistent, though cautious, buying continues (*BW*—Dec 18 '37, p13). Cotton, rubber, hides, and corn have scored good gains. Wheat has been holding its own fairly well above the recent lows. The non-ferrous metal trades are a wee bit more optimistic, despite some further price weakness in the last few days. Steel scrap is firm at the higher quotations set last week.

Steadiness in London has aided the metals. For example, copper consumption abroad continues to keep up with foreign production much better than is the case domestically. There is some hope that present prices here will attract European orders. This, in turn, would be expected to bring domestic buyers out of their shells.

Something of that sort seems to have happened in cotton. While domestic mills have curtailed operations drastically, foreign takings of American cotton continue to rise in comparison with a year ago. Exports now are about 275,000 bales ahead of the comparable 1936 period. Domestic cloth sales have improved but this probably won't be reflected at once in mill operations.

Banking statistics continue to supply a somewhat negative reassurance. That is to say, things in general aren't as bad as the conditions in the heavy in-

dustries might lead one to believe. Commercial, industrial, and agricultural borrowings (as shown by reports of the Federal Reserve member banks in 101 leading cities) actually rose \$17,000,000 in the second week in December, whereas the usual seasonal trend is downward. This rise interrupted a two-month decline.

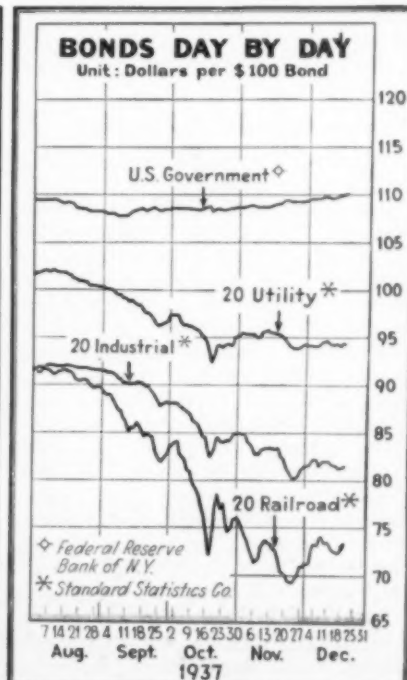
Except in the big cities, business loans hadn't declined enough in those two months to indicate that the country at large was very much alarmed. In the second week in December they rose in seven of the 12 districts, and were unchanged in two of the others. In four districts—Atlanta, St. Louis, Dallas, and San Francisco—they are as high as or higher than they were in October.

Sugar Stays "in Line"

Quotas for 1938 are about what the trade expected, a little below 1937; prices are even.

THOSE who grow, handle, and eat sugar this week received pretty definite assurance from Washington that prices of the product will be much the same in 1938 as they have been in recent months. That's the basic significance of the consumption quota of 6,861,781 tons of raw sugar set by Secretary of Agriculture Henry A. Wallace last Monday.

The quota announcement was a bit belated in the eyes of the expectant trade. Sugar people had been waiting for it, while the market held on dead center, for just about a week. While waiting, prognosticators hazarded estimates ranging all the way from 6,600,-



Sugar Quotas Cut

The following tabulation shows the "initial" or provisional raw sugar quotas for 1938 announced this week by the Department of Agriculture in contrast with the final quotas for 1937 (in short tons):

	Initial Quotas 1938	Final Quotas 1937
Continental beet...	1,591,390	1,633,361
Continental cane...	431,415	442,793
Hawaii	963,149	988,551
Puerto Rico	963,149	840,954
Virgin Islands	9,155	9,396
Philippines	1,057,416	1,085,304
Cuba	1,962,771	2,014,538
Other foreign	27,121	27,610
Total	6,861,761	7,042,733

000 tons to 7,100,000. The lower figure was largely wishful thinking by those who would like to see higher prices; the higher included a large percentage of fear by those who were afraid Washington would try to push prices down.

The intermediate figure decided upon by the Department of Agriculture was about in line with informed opinion. It is nearly 181,000 tons smaller than the final quota of 7,042,733 tons for 1937. Close observers believe that this provisional quota of 6,861,781 tons for 1938 will be very close to the actual consumption for 1937. Thus the raw sugar market greeted the figures as "in line"—prices fluctuated within a very narrow range after the announcement, and net changes were tiny.

The sugar market is now subjected to a greater degree of federal control than is the case in any other commodity. The quotas for domestic and off-shore producers are set (see accompanying tabulation). These quotas automatically determine, within a slight margin, the amount of sugar which will be handled by domestic refineries.

Amounts Handled by Refiners

Allowing for the various controlling factors, the Eastern cane refiners will handle about 4,480,000 tons of raw sugar in 1938; Southern cane refiners will account for approximately 160,000 tons; the domestic beet sugar mills will turn out 1,590,000 tons; the remainder of 630,000 tons will be shipped into this country in refined form from our insular possessions and from foreign areas which are allowed "direct consumption" or refined sugar quotas.

An industry which can compute so closely in advance its rate of operations and its costs might, presumably, manipulate prices. The Eastern cane refiners heard themselves castigated as a monopoly when the 1937 sugar law was being debated in Congress.

However, in the first couple of months that the new law has been operating, refined sugar prices have aver-

aged 4.7¢ a lb., unchanged from the early months this year. Meanwhile, cost of raw sugar plus the processing taxes have narrowed refiners' mark-ups. In the first quarter of 1937, these refiners marked up the price of sugar 1.06¢ a lb.; in October and November, they added 0.91¢ a lb. to the price. And out of that narrower margin, the refiners are paying hourly wages 35% higher than in 1929. And their total volume of business is 15% to 20% below the levels of the 1920's.

Wheat Prospects—With a large amount of the 1937 wheat crop still to be marketed, eyes turned this week to next year's prospects. The occasion was the Department of Agriculture's first 1938 crop report, which concerned itself largely with winter wheat planted this fall for harvesting next summer.

Fall-planted wheat now has passed through the critical germination stage and has progressed to a point where an appraisal of its condition can be made. The acreage planted is almost exactly the same as last year, and the crop's condition likewise is identical with a year ago.

This year's planted acreage is estimated by the Department at 57,492,000 compared with the peace-time peak of

57,612,000, a year ago. Wheat on many of these acres—particularly in the Pacific Northwest and the region between the Coastal States and Rocky Mountains—has come along fine, aided by good moisture conditions at planting time. East of the Rockies, the familiar moisture deficiency has persisted again, and progress has not been exceptional. From these facts the Department arrives at a condition of 76%, which is just exactly what it was a year ago.

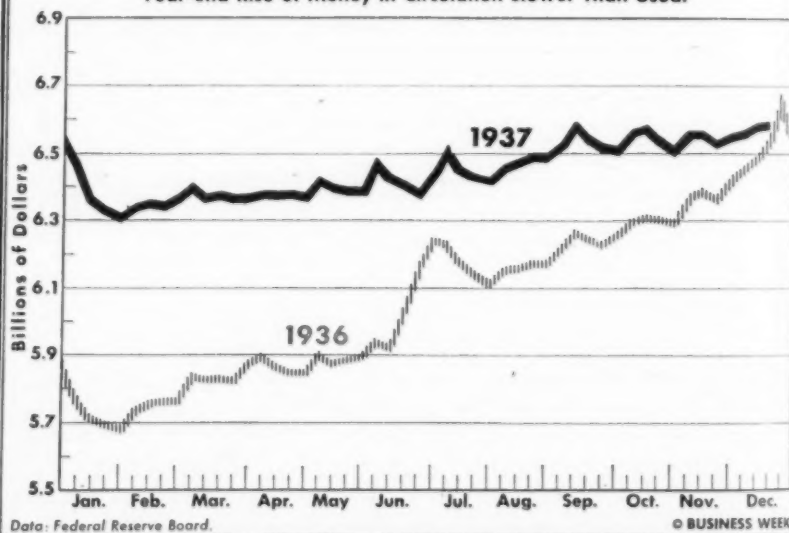
The government report states, furthermore, the abandonment of seeded acreage before the next harvest is likely to be roughly comparable to that in the 1936-1937 crop year. That would mean that only a little more than 47,000,000 of the 57,000,000 planted acres actually would be harvested.

If all these forecasts were to work out as stated above, the 1938 winter wheat crop would be very close to that of 1937, or 688,145,000 bu.

Utilities Build—While there is lots of talk about dammed up utility expenditures—and much hope that purse strings will be loosened—actual utility budgets are lost sight of. These have been expanded steadily, crossing the half a billion mark this year. Preliminary studies indicate that they may rise

HIGH—BUT IT SHOULD BE HIGHER

Year-end Rise of Money in Circulation Slower Than Usual



Data: Federal Reserve Board.

© BUSINESS WEEK

EMERGENCY WHICH DIDN'T ARISE—Early in October, the Federal Reserve Board announced that it would buy Treasury bills in the open market in order to fortify the banking system with plentiful reserves. The idea was to meet the customary expansion in money in circulation in the last two months of the year. In November, the Federal Reserve Banks bought \$38,000,000 of bills. But, as shown in the above comparison of circulation this year and last, the demand for money in recent weeks has been slack due to the business recession. Consequently, the Reserve Banks have discontinued their open market operations. Present indications are that the December peak for circulation this year is not likely to equal last year's high of \$6,680,000,000, whereas the Reserve Board probably anticipated that the 1937 top might be anywhere from \$6,800,000,000 to \$7,000,000,000. Circulation, on past performance, should drop below \$6,400,000,000 by the end of January; and the Reserve Banks, if they are to maintain the status quo of excess reserves, would sell some government bonds, or let some of their short maturities "run out."

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Wall Street Noël



THE statue of George Washington, standing in front of the old Subtreasury Building, extends a hand as in benediction over the Christmas tree which the New York Stock Exchange sets up every year at the corner of Broad and Wall streets.

tional billion dollars' worth of equipment in place to handle the situation.

Borrowing Trouble—Wall Street and a large part of the financial press for several days have been howling at the chairman of the Securities and Exchange Commission, W. O. Douglas. There is good reason to believe they're crying before they're hurt.

The SEC was notified of the proposed increases in brokers' commissions (BW—Dec 18 '37, p 51). Mr. Douglas replied to the New York Stock Exchange that the commission had not decided "whether or not these increases are either appropriate or adequate." He added that he didn't know whether the commission had any right under the law to take a hand in the matter, but implied that general authority granted by the Securities Exchange Act might cover the situation.

Many of those who favor higher brokerage rates at once jumped at the conclusion that the SEC chairman was, in a veiled way, threatening to block the increase. Maybe he was, but Mr. Douglas is a sufficiently decisive young man to come out at the start and state his objections instead of indulging in academic debate. Probably his letter had no sinister significance.

He made a suggestion, however, that the exchange and the commission get together "to make a study and investi-

gation of the whole question of service charges by members of the New York Stock Exchange, particularly those of specialists, floor traders, and odd-lot dealers." This the Wall Streeters didn't understand, because specialists, floor traders, and odd-lot dealers are not permitted by the Stock Exchange's constitution to levy service charges. Not understanding what was meant, gun-shy brokers were inclined to protest rather than ask questions.

Actually, the brokerage fraternity

EXECUTIVE AVAILABLE

A young, vigorous-minded executive is available for position where the solution of a business problem requires experience and abilities involving knowledge of management activities. This man is profit-minded. He believes in approaching a problem through sales—which means first finding out the desires of the consumer and then developing the most efficient use of facilities and personnel to earn the best profit for the stockholders.

Grounded in markets, research technique, marketing and promotion and advertising, personnel work and general business management and policies. Officer of large corporations. Engineering graduate. Intimate knowledge of capital goods businesses as well as experience with consumer outlets.

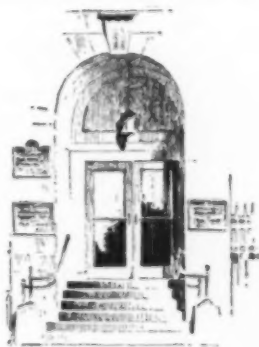
PW-254, Business Week
320 West 42nd St., New York City

by an additional 15% or 20% in 1938.

Thus the utilities next year can be expected to spend in excess of \$600,000,000. This isn't the \$1,500,000,000 annual expenditure in each of the next five years which the Federal Power Commission advocates. Nor is it the billion a year which many in Washington think the power companies should spend. It isn't even the \$990,000,000 spent in the peak year 1930. Yet it is a very tidy contribution.

In view of the business recession, the consumption of electric energy is not likely to rise to a point where it will tax existing utility facilities before December, 1938. It is entirely probable that a new peak will not be recorded until the end of 1939. Under these circumstances the power companies don't have to rush plant expansions to the extent they feared they might have to early in 1937 (BW—Aug 7 '37, p 20). In fact, expenditures of \$1,100,000,000 for 1937 and 1938 probably would have been thoroughly adequate had not the margin of safety vanished due to lack of construction in earlier years.

In any event, one thing seems certain: The decline in business has averted the much discussed test of whether present generating capacity is adequate. The next time demand for energy results in a new all-time high for power output, there will be an addi-



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might better greet Mr. Douglas' suggestions favorably on the assumption that they were made in the spirit of helpfulness. In the first place, the SEC chief has been advocating fewer brokers to share the pie, and this squeeze would be just about as painful as starvation. From another angle, the SEC might be able to suggest some methods for brokers to cut their overhead—such as discontinuing check cashing for clients and maintaining costly statistical services for customers' guidance.

Finally, the attitude of taking offense at everything the commission says or does encourages the growth of mutual hard feelings. If Mr. Douglas really disapproves of higher commission rates, the quickest way of getting him to take harsh action is to rake him over the coals. Even assuming that the commission has no right to prohibit the boost in brokerage, it can always "suggest." And any time Wall Street fails to heed its "suggestions" there is a good chance of lots of trouble.

Packers' Disappointment—Financial results of the big meat packers' fiscal year (ended last October) have fallen materially short of earlier expectations. The first warning was flashed by Cudahy Packing, which passed common and preferred dividends last September—the first lapse in common payments in a dozen years and the first on the preferred in the company's history (*BW*—Sep 25 '37, p. 62). The trend was confirmed this week when Swift & Co. reported earnings for the year of \$8,880,496.

While it is true that Swift's earnings approximated those for the preceding year, G. F. Swift, vice-chairman of the board, points out that "we had ex-

pected to make a much better showing than this."

Swift & Co. for the year did the largest dollar volume—\$885,836,529—since 1930. However, there was too much livestock sold by growers in the first months of the year, and too little in the latter half. These disturbances in the livestock market, higher wages, and increased costs of raw materials cut into anticipated earnings.

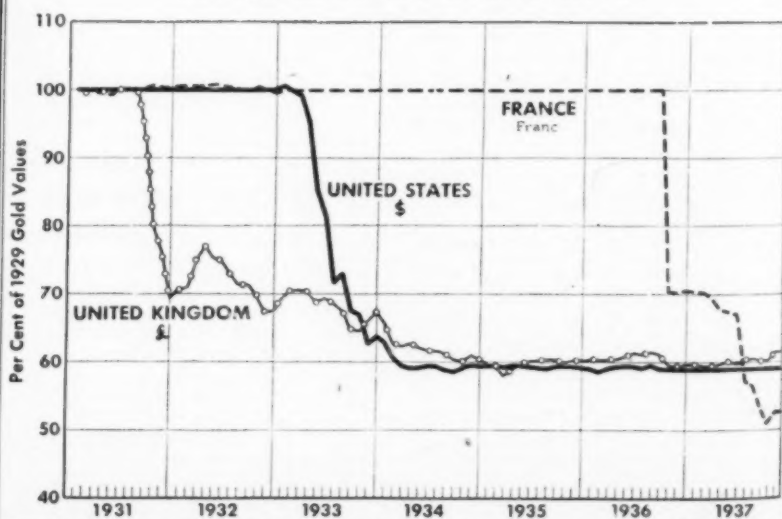
The year emphasized, Mr. Swift declares, "the striking truth that short supplies do positive harm to everyone. Farmers are unable to profit from high livestock prices when they have little or no livestock to sell. Short supplies injure the meat packer because the cost of preparing the meat for market rises substantially as the volume declines. Employment in the meat packing industry has been reduced. . . . Retailers find it difficult to gain profits when meat prices are high and the volume of business is materially reduced. Consumers are unable to buy all the meat they desire."

Reliable information indicates that conditions in the meat-packing industry made it possible for the largest companies to do relatively better than the smaller ones. Thus it is anticipated that the statements of the other packers, as they are made public, will present a very spotty picture. The break in prices at the end of the fiscal year, however, created inventory losses for all the packers, large and small.

There is reason to believe that the industry is now entering a period of much more orderly livestock marketing. This, in itself, is favorable, but the increased supply may cause some further inventory losses before things stabilize once more.

THE MONEY TRIANGLE

Exchange Rates in Per Cent of 1929 Gold Parities



Data: League of Nations Publications; Federal Reserve Bank of N. Y.

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Edit

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Editorially Speaking—

AMONG the 37 naval commanders recently promoted to captain was (if we can trust the newspaper report) Commander P. Smitskjlybrand. Probably pronounced Jones for short.

A BROOKLYN judge has decided that a female motorist who told a cop, "You can go to hell," was not expressing "a command or a wish, but a simon-pure statement of fact." And also wit, judge. The Lady Astor school of wit.

DAILY M. HUDLER, publisher of the Noblesville, Ind., *Morning Times*, has sent a form letter to other publishers, saying: "We are compiling a list of men who do a good deal of public talking. I'll greatly appreciate it if you will have someone in your organization give me the names of ten or a dozen such individuals in your community." Wonder if he's getting ready for a purge.

LIFE grows ever more complicated. A highly recommended weather expert has been appointed to head the weather forecasting bureau of the New York street cleaning department; and we, in our simplicity, never even knew that any street-cleaning department anywhere had a weather forecasting bureau.

LORD HALIFAX, that pillar of piety, is a busy man; for, as the real boss of British foreign policy, he is industriously pursuing his plan of throwing little Czechoslovakia to the brown-shirted wolves. But just the same he has found time to devise a scheme for cutting down the cost of the clergy. He suggests that the Church of England require theological students to remain unmarried for five years after ordination. This would save a pretty penny, he says; and who can doubt it?

FIVE-YEAR celibacy wouldn't have seemed long to that great church father, Paul; but Paul was celibate by choice. And even he grudgingly admitted that "it is better to marry than to burn." Lord Halifax, though no celibate himself, seems to think Paul should be thriftily modernized: "It is better [not] to marry than to burn [up the dough]."

WE'VE received a holiday card from our old friend, Dr. John W. Clerehead, professor emeritus of logic in the University of Seestrade. Dr. Clerehead's holiday cards never wish anybody anything, for he regards ceremonial wishing as a survival from primitive times, when men really believed in the effectiveness of blessings and curses, and feared that an enemy might kill them by burning their image. Gamblers nowadays, says Dr. Clerehead, hold to the

same superstition: they believe that some people are good luck for them, while others are bad luck. A gambler may seriously urge you to pull for him. Dr. Clerehead will tolerate no such nonsense; he doesn't wish us a Merry Christmas, a Happy New Year, or anything else. He writes:

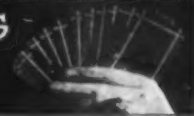
"I recommend a Discontented Christmas and an Inquiring New Year, so that by your own efforts you may make the next Christmas merry, and the next New Year happy.

"P. S. Why don't you get rid of that buffalo you paid the Biological Survey \$60 for? A mascot in the *Business Week* reception room! Voodooism! Fetishism! Foocy!"

AND now the year draws to an end, and our mind is a medley of all the sad things and great things and terrible things of this historic year, and also of the odd and fantastic. The woman who by four years of hard struggle recovered \$88,000 that was found concealed in the wooden leg of her estranged husband after he died. . . . The boy in Halifax, Nova Scotia, who collapsed after performing as a Wonder Boy in a charity show, and who when operated on, emitted bits of a razor blade and of tacks and chips of glass. . . . The preacher in Omaha who urged President Roosevelt to proclaim a National Grumble Day. . . . The Shelton, Conn., high school football team that made the worst record in the school's history, and blamed it on the fact that the only food in the school cafeteria was pie. . . . The request of the Burlington railroad for permission to discontinue a 20-mile branch on which the only industry is a mousetrap factory. . . . The mystery of the disappearing widgets (pneumatic-tube carriers) in the New York Stock Exchange; if they cleared that up, we missed it. . . . The time we and Mrs. Doris Duke Cromwell listened to a radio speech by her husband; at least we listened, and we presume she did, somewhere. . . . The will of the 89-year-old woman who left Northwestern University five harness racehorses and \$100,000, contingent on the university's employing her chauffeur for 10 years. . . . The will of Theophilus B. Stork of Philadelphia, who commanded that his five grandchildren, ranging in age from 28 down to 10, shall each in the next five years receive an annual bequest equal to the sum that he himself earns. . . . The doctor in Tooele, Utah, who advertised: "I will do no deliveries during 1938 that are not paid for before delivery takes place." . . . The buffalo we bought for \$60 from the Biological Survey. . . .

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BUSINESS WEEK

The Journal of Business News and Interpretation

DECEMBER 25, 1937

After the Wage-Hour Defeat

The revolt of Congress against Presidential domination attained a climax when the House recommitted the wage-and-hour bill, putting it to sleep not only for the duration of the special session but perhaps for next year's regular session as well. In that event no such bill will have a chance until after the Congressional elections next November. Anyhow for the time being the wage-and-hour bill has been rudely halted.

Certainly the President had practically no fear of such a rebuff when he called the special session, or when he stated his program of emergency legislation. There was nothing he put higher in importance than the wage-hour bill. He demanded it and he seemed to believe that public opinion demanded it. But the members of the House are pretty close to the opinion of their constituents, and would have approved the bill if they had thought it enjoyed popular support. Instead they smote it down.

They defeated the bill on its merits—or demerits. Yet they did more than that; for their action was a blow at the Administration, and they well knew it. They rejected the President's assumption of the right to decide what legislation should be passed by Congress in the special session. They quashed a program that had neither popular enthusiasm nor reasoned opinion behind it. And in thus refusing what the President submitted, they in effect adopted an affirmative program as well. For their vote meant that they are fed up with the President's perpetual curriculum of social reforms and they want legislation to improve the condition of business.

Legislation of that kind should have the first place when the regular session convenes, after New Year's. If the President will put his strength behind such legislation, he will have Congress enthusiastically with him. And of all the plans to promote an improvement in business, nothing could have a more immediate effect than a drastic revision of our punitive tax system.

This should have the first place in the program of domestic legislation in the special session, as it has first place in the "address to the people of the United States" that has been drawn up by a coalition of Republican and Democratic senators. Ten

"paramount principles and objectives" are enumerated in that document. First is immediate and thorough revision of the capital gains and undistributed profits taxes. Then come steady approach towards a balanced budget; modification of the Wagner Labor Relations Act; ending government competition with private business; recognition of the right of reasonable profits; security for the future of industry in order to foster investment in stocks and bonds; steps toward reduction of the tax burden; maintenance of state and local self-government; greater economy in national relief expenses; and the permanent preservation of capitalism.

This is the gospel of conservatism; it is a sober and honest challenge to the Administration's radical program. It is a gospel to which Congress should commit itself in the regular session. And as the first token of that commitment, as a reassuring voice to business, Congress at the start of the special session should give right of way to a sharp revision of the capital gains and undistributed profits taxes.

Step-by-Step Account of Corporate Income

The United States Steel Corp. is the first very large company to adopt a step-by-step breakdown of its income. It has done this for the enlightenment of its employees, but the implications of this method of reporting go far beyond that. Stockholders, consumers, taxpayers, and any man who wants to know whether a corporation is making exorbitant earnings at the expense of the public or of its employees, can read this kind of income account and understand it. If corporations generally adopt this innovation, their relations with the public will improve.

Further, this sort of income ac-

count—showing on a quarterly basis wages and salaries, interest, dividends, and corporate savings—combined with the Department of Agriculture's reports on income received by farmers from their marketings, will enable the Department of Commerce to keep a running record of the national income produced. And such information would be a helpful interim index of the country's wellbeing, and would accurately indicate to business men the national purchasing power.

Singing Once More Silver's Sweet Song

The subject of silver is with us again, it is with us yet. It is recurrent and constant. The United States started out in 1933 to make silver high-priced all over the world; but, after a speculative boom, the world price collapsed, the American domestic price was left on a high plateau, and our government has never had the nerve to bring it down.

On Dec. 31 the present official American price for domestically mined silver, 77.57¢ an ounce, will expire. But the President has let it be known that he will not let the price find its own level; instead he will again proclaim an official price. It will probably continue at 77.57¢, but even if it is less than that it will be too much; for the world price has been around 44¢, and anything above that is a subsidy for the silver mining industry, at the expense of all the taxpayers of the country.

As Rep. John Taber of New York State, the ranking Republican member of the House Appropriations Committee, has pointed out, the government in three and a half years has bought more than a billion ounces of silver, paying over \$600,000,000, an average of more than \$171,000,000 a year. The Treasury has issued paper money in that amount, backed by over-priced silver. When President Roosevelt started his purchasing program, he hoped that the world price could also be kept up, thus sustaining the prosperity of the silver-producing and silver-currency nations, and improving our foreign trade. That expectation having been disappointed, he should scrap his silver program on the last day of this year.

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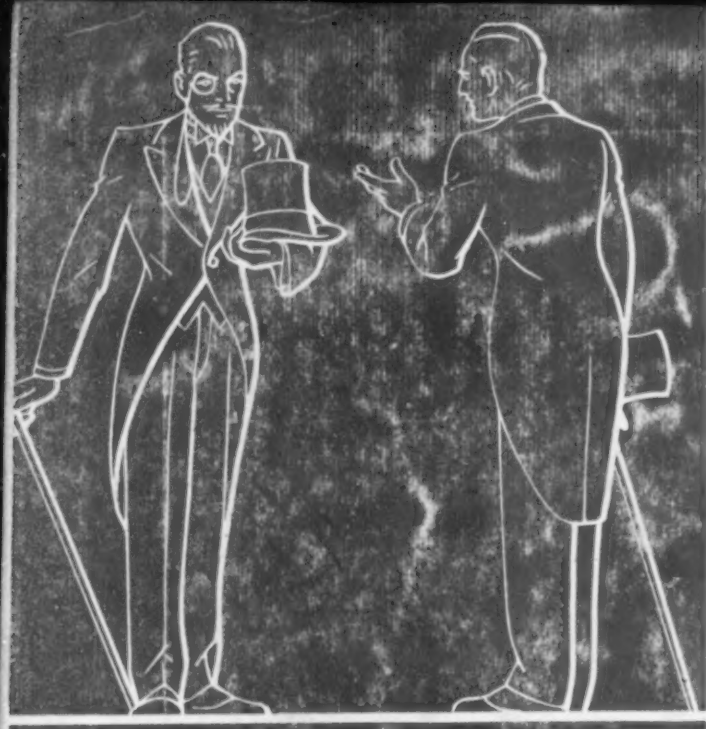
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